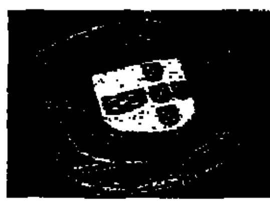
After Delors *What next for Europe, France?* Page 17

Avoiding cancer *The weapons of a killer* Page 10



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مكرر من الاصل

Down at heel *Brazil's shoemakers feel the pinch* Page 4

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY DECEMBER 13 1994 — D8523A

Italian lira falls as Berlusconi faces questioning

The lira fell to a new low against the D-Mark yesterday as confidence in the currency was shaken by concerns about Italy's public finances and increasing political instability. There was uncertainty in particular about the outcome of the Milan magistrates' interrogation, due today, of Mr Silvio Berlusconi (left), prime minister, in an atmosphere of heightened tension between the government and the judiciary. Page 18; Bonds, Page 24; Currencies, Page 36; World stocks, Page 40

Collor cleared on corruption count: Brazil's Supreme Court acquitted former President Fernando Collor of a corruption charge two years after he resigned during his impeachment trial. The Supreme Court voted 5-3 to acquit Collor on a count of "passive corruption" stemming from an alleged multi-million dollar influence peddling ring.

Backing for Kinkel: Germany's Free Democrats, closed ranks behind party leader and foreign minister Klaus Kinkel after he called a surprise confidence vote at a special party congress. Page 2

Sinn Féin boycott: Sinn Féin, political wing of the IRA, said it was boycotting an international business conference in Belfast after claiming its proposed delegates were being treated as "second-class citizens". Page 8

UN forces hit: Four Bangladeshi troops, part of the United Nations peacekeeping force in Bosnia, were injured, one critically, when their armoured car was hit in a besieged Moslem enclave by a Serb rocket. Tougher UN stance urged, Page 2

Japan-US flat glass accord: Japan and the US settled a long-standing dispute over Tokyo's flat glass market by agreeing on measures to improve foreign access. Page 4

Ex-Mitterrand aide commits suicide: Pierre-Yves Guezou, a retired officer in the paramilitary gendarmerie who was being investigated in a wiretapping scandal, committed suicide. Guezou was one of five former aides to President François Mitterrand suspected of tapping telephones.

Fireworks fear: Fireworks taken on board by a passenger may have caused a mid-air explosion on a Tokyo-bound Philippine Airlines flight which killed a Japanese engineer, airline officials said.

Major's EU referendum hint: UK prime minister John Major moved the government substantially closer to offering to hold a referendum on further integration of the European Union. Page 18

Williams Companies, US natural gas and telecoms group, has announced an agreed cash and stock takeover of Transco Energy, rival gas company, valued yesterday at $577m. Page 19

Ferry 'should stay on seabed': The car ferry Estonia, which sank in the Baltic in September with 900 people on board, should be left on the seabed and not salvaged, a committee advising the Swedish government said.

Tiphook, UK transport leasing group, announced a $12m settlement of a lawsuit brought by some of the group's US bondholders. Page 19

Car sales surge: West European new car sales increased by 11.9 per cent year-on-year in November to 926,000, the European motor industry's strongest performance since early summer. Page 2

Bayerische Vereinsbank announced group operating profits for the first 10 months only 2 per cent lower, at DM901m ($571m), than in the same period of 1993. Page 19

Greek strike: Greek taxi drivers, truckers and bus drivers staged a 24-hour strike over the finance ministry's drive to reduce tax evasion by self-employed workers. Page 2

Last US N-plants: An era of nuclear energy will draw to a close next year when the Tennessee Valley Authority halts work on the last three nuclear reactors under construction in the US. Page 7

UK inflationary pressure: Further signs of inflationary pressure were revealed in the UK with figures showing manufacturers are increasing prices at the factory gate, while raw materials costs are rising at their fastest rate for 18 months. Page 8

First official Swiss brothel: Switzerland's first official brothel will open in a converted office building in Zurich after the city authorities granted a building permit to an entrepreneur.

■ STOCK MARKET INDICES

FT-SE 100:	2,943.4	(-33.9)
Yield	4.37	
FT-SE Eurotrack 100	1,309.12	(-12.46)
FT-SE-A All-Share	1,465.19	(-1.0%)
Nikkei	18,975.10	(-3.20)
New York: lunchtime		
Dow Jones Ind Ave	3,694.48	(+3.37)
S&P Composite	446.92	(-0.05)

■ US LUNCHTIME RATES

Federal Funds:	5 9/16%
3-mo Treas Bills: Yld	5.86
Long Bond	95 3/8%
Yield	7.899%

■ LONDON MONEY

3-mo Interbank	6 7/16%	(6 7/16%)
Liffe long gilt future:	Mar 102	(Mar 102 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$16.26	(16.265)

■ Gold

New York Comex (Feb)	$380.3	(378.0)
London	$377.8	(377.6)

■ STERLING

New York lunchtime:		
$	1.5645	
London:		
$	1.564	(1.5597)
DM	2.4597	(2.4601)
FFr	8.4579	(8.4397)
SFr	2.0842	(2.0846)
Y	156.29	(156.222)
£ Index	88.4	(80.3)

■ DOLLAR

New York lunchtime:		
DM	1.57325	
FFr	5.4095	
SFr	1.333	
Y	100.055	
London:		
DM	1.5728	(1.5773)
FFr	5.408	(5.4113)
SFr	1.3327	(1.3366)
Y	99.875	(100.165)
$ Index	63.3	(63.4)

Tokyo close Y 100.26

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	R 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y600	Pakistan	Rp40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso60	Syria	S£60.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr8.50	Lebanon	US$1.60	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

Thousands more ready to fight for Caucasus, Yeltsin warned

Chechnya peace talks in doubt

By John Lloyd in Vladikavkaz, North Ossetia, and John Thornhill in Moscow

Watching the skies: Chechens man an anti-aircraft gun outside the presidential palace in the centre of Grozny, the capital of the breakaway republic, yesterday, as Russian troops were reported to be advancing Picture: Associated Press

Peace talks between Russia and the breakaway Chechen republic were close to collapse last night, as Russia continued to pour troops into the north Caucasus territory, where they clashed yesterday with forces loyal to the republic.

The conflict between Russia and Chechnya, which began when the Caucasus region declared independence three years ago, took a violent turn at the weekend when Russia sent in troops to crush the rebel state.

Chechen officials at the negotiations in Vladikavkaz, capital of North Ossetia and close to the Chechen border, said the negotiations were not going well and that they expected to return to Grozny, the Chechen capital, late last night.

Russia's intervention has sparked fierce opposition from many Russians, who fear the country is being drawn into a "second Afghanistan". But yesterday Russian president Boris Yeltsin, who is in hospital recovering from a minor operation, reissued an ultimatum that all armed forces in Chechnya must disband by Thursday.

As official positions hardened on both sides, Mr Ali Aliev, speaker of the parliament of the Confederation of Caucasus People, the organisation which unites all the non-Russian nationalities in the region, warned Russia that all the people of the Caucasus were prepared to rally to Chechnya's aid.

Mr Aliev, who was attending the talks in Vladikavkaz, claimed that "thousands of volunteers" had come forward from all the republics of the north Caucasus and were willing to fight to defend Chechnya. "This would be a Russian-Caucasian war. We hope that in Russia there is a party of sense which will not allow it."

Russian forces have already met resistance both from the Chechens and from other peoples in the North Caucasus. The Russian intervention also appears to have, at least temporarily, united the Chechen government and its armed domestic opponents, who jointly formed the delegation which negotiated with Russian representatives yesterday.

Russian forces clashed with Chechen troops yesterday about 15 miles north-west of Grozny. Chechen forces in Dolinskoye launched rocket attacks on a column of advancing Russian troops prompting a series of retaliatory air strikes by attack helicopters and fighter bombers. At least one Russian aircraft bombed Chechen positions north of Grozny. There were no confirmed reports of casualties.

Russian units, massing to move into Chechnya as part of a three-pronged assault, were also fired on in the neighbouring region of Ingushetia, prompting a furious reaction from Moscow.

Mr Pavel Grachev, Russia's defence minister, accused Ingushetia of "waging war" against Russia. "We never thought that someone on their own territory, shielded by women and children, would fire in the back of their countrymen in army uniforms," he said.

Russia's action brought 5,000 people out in protest in Pushkin Square in Moscow yesterday. Some leading politicians, headed by democratic party leaders Mr Yegor Gaidar and Mr Grigory Yavlinsky, attacked the use of force in Chechnya, fearing that military action by Russia might foreshadow a lurch towards authoritarianism.

However, other politicians, such as Mr Boris Fyodorov, the former finance minister, supported Mr Yeltsin's tough approach.

The international reaction to the violence in Chechnya has been limited. Mr Bill Clinton, US president, at a news conference in Florida, said: "We're concerned about it... We hope that order can be restored with a minimum amount of bloodshed."

IBM halts shipments of 'flawed chip' PC

By Alan Cane in London and Louise Kehoe in San Francisco

International Business Machines has halted shipments of personal computers containing the Pentium microprocessor made by Intel, the world's leading supplier.

The action follows growing customer concern about a flaw in the chip that can lead to miscalculations in some mathematical applications.

Intel's share price dropped sharply yesterday at the news. At mid-session it was at $58⅝, down from Friday's close of $62⅞.

IBM is one of the chip maker's largest customers. Its action has strained relations between the two. Intel – which revealed last month there were problems with the microprocessor – complained yesterday that IBM had refused to provide full details of its analysis of Pentium errors and gave Intel no notice of its decision to halt shipments.

The microprocessor fault has proved hugely embarrassing for Intel, which has 90 per cent of the world microprocessor market. It is running an $80m worldwide media campaign to persuade personal computer users to move to Pentium-based machines.

Other PC makers using the Pentium microprocessor include Compaq, Hewlett-Packard, Dell, Gateway and Packard Bell. They have offered to replace faulty chips, but IBM is alone in halting shipments.

Supreme Court rules against IBM on upgrades ....Page 7

Now, however, other manufacturers may feel obliged to follow IBM's lead.

IBM stressed that it had no desire to exacerbate Intel's embarrassment over the Pentium problem or to take advantage of the situation to gain competitive advantage: "IBM is not encouraging customers to switch to different products. Our decision to halt shipments is based solely on customer interests."

Intel has argued that most computer users will never experience the fault which, it says, is likely to occur only once every 27,000 years. The only people likely to be affected, it said, were technologists such as aircraft designers carrying out very large computations.

IBM, however, said that its scientists had found that the risk of errors may be significantly higher. "A user could face either significantly more errors, or no errors at all. If an error occurs . . . it may have no effect or it may have catastrophic effects." Customers using common spreadsheet programs could encounter errors as often as once in every 24 days.

IBM said it would replace the flawed Pentium chips at no cost to its customers.

Maurice Saatchi attacked over share options package

By Robert Peston

Maurice Saatchi's future as chairman of Saatchi & Saatchi, the advertising group he founded, hangs in the balance following a row between the company and leading shareholders over a proposed £5m ($8.2m) option package for Mr Saatchi.

Shareholders controlling a third of the group's shares, led by Harris Associates of Chicago, were so angry to learn of the so-called "super option scheme" that last weekend they put three proposals to the board:

● that Mr Saatchi's option allocation should be scaled back radically;

● that the company should consider changing the name of the holding company, so that the "Saatchi" brand should be used only by the operating subsidiary, Saatchi & Saatchi Advertising worldwide;

● that the company should consider whether Mr Saatchi should stand down from the board altogether, to work instead for the operating subsidiary. Last night the company refused to comment on the shareholders' action, though it is understood that its board will, in the next few days, consider these proposals. Shareholders could call an emergency general meeting if Saatchi's board does not follow their wishes.

The super-option scheme, designed to reward executive directors and other senior executives, was drawn up by the group's remuneration committee, chaired by Sir Peter Walters, formerly chairman of the oil company BP and currently chairman of the pharmaceutical company Smith Kline Beecham.

It would give Mr Saatchi a £5m profit in three years, if the company's share price doubles in that period.

Leading shareholders, which have been briefed privately on the scheme by the company, are furious about Mr Saatchi's allocation in the scheme, because – unlike any other executive in the company – it is based on his old salary of £625,000, not his new one of £300,000.

Mr Saatchi's salary was slashed earlier this year, following shareholder pressure, but under the scheme he would be entitled to shares worth eight times his old salary.

The protesting shareholders, which collectively control 32 per cent of the shares, are four US investment institutions – Harris, the State of Wisconsin Investment Board, General Electric Pension Trust of the US, and Tiger Fund Management – and M&G of the UK.

Saatchi has two international advertising networks, Saatchi & Saatchi Advertising and Bates Worldwide.

Demerging or selling Bates, a strategy favoured by Mr Saatchi, is opposed by many board members and shareholders because they fear that it does not make financial sense.

Mr Saatchi has told colleagues that he will fight tooth and nail to preserve his name on the holding company's masthead.

CONTENTS

Franc falls as Delors steps down from poll line-up

By John Ridding in Paris

French financial markets reacted anxiously yesterday to the decision by Mr Jacques Delors, the head of the European Commission, not to stand as the Socialist candidate in next spring's presidential elections.

His announcement on Sunday that he would not contest the vote after leading in the polls for the past few weeks was seen as a devastating blow to the Socialist party which would hand victory to the right.

But it raised fears of factional feuding within the conservative ranks and a challenge from more nationalistic politicians to Mr Edouard Balladur, the Gaullist prime minister, and now the favourite for next year's election.

The French franc fell to FFr3.44 against the D-Mark from its Friday close of FFr3.432. Pressure on government bonds pushed yields on 10-year securities up by 10 basis points to more than 8 per cent. However, both the currency and French bonds recovered some of their lost ground in afternoon trading.

Although Mr Balladur holds economic views similar to those of Mr Delors, economists pointed to the risks of divisions on the right. "Balladur could face a challenge from those who are less committed to anti-inflationary policies and progress towards a single European currency," said a senior economist at one French merchant bank.

Yesterday, Mr Balladur received a warning from one potential candidate who opposes monetary union and favours growth-oriented policies to reduce the unemployment rate of 12.6 per cent. Mr Philippe de Villiers, the MEP whose party won 12 per cent of the vote in last June's European elections, said he would not exclude running for president if his views were not taken into account.

The Socialist party admitted the setback it had been dealt by

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International bonds, Page 24

France, US urge tougher UN stance in Bosnia

By Bruce Clark in London and Laura Silber in Belgrade

France and the US yesterday redoubled their support for the UN mission in Bosnia, and suggested reinforcing it with more men and weapons, or tougher rules of engagement.

The latest Franco-American statement was in sharp contrast to the recent suggestions by several western countries that a UN pullout may only be weeks away because of the deteriorating situation on the ground. US officials have been dubious about the effectiveness of the UN's role in Bosnia, and the suggestion that the forces there be reinforced marks a clear change in the US line.

The message from Mr William Perry, US defence secretary, and Mr François Léotard, French defence minister, was issued as contingency planning for a possible UN withdrawal gathered pace, and four Bangladeshi peacekeepers were injured in northern Bosnia.

Mr Perry said after meeting his French counterpart in Washington that both were agreed on "the very valuable function" which the 24,000-strong UN force was discharging. He added that the UN should consider "not only more troops and more arms but new rules of engagement."

Mr Leotard suggested giving heavy protection for a "humanitarian corridor" along which relief convoys could travel from the Adriatic to Sarajevo.

In Brussels, senior military officers yesterday began a week of intensive discussions on how precisely an UN withdrawal from Bosnia would be organised, and protected from the warring parties, with the help of Nato ground troops.

Mr Perry goes to Brussels today to meet his counterparts from the 14 countries which make up Nato's military wing. France belongs to Nato's political arm but not its military structure.

Nato's plan for a UN withdrawal are expected to provide for temporary deployment of up to 25,000 extra combat troops in the war zone. Another 20,000 might be involved in providing logistical support, but no more than 5,000 of these would be deployed in Bosnia itself.

The US has offered to provide about half the personnel needed to organise a pullout, but Mr Perry will be under strong pressure to give more details when he meets his opposite numbers in Brussels.

UK officials have warmly welcomed US willingness to help, viewing it as a sign that America wants to avoid a repeat of last month's diplomatic spat over the abrupt US withdrawal from enforcing the arms embargo against Bosnia.

Diplomats said the US commitment to providing cover for a withdrawal would make the US administration more likely to support a continued UN presence.

A senior British official predicted yesterday that a turning point for the UN could come in early spring: either there would be a ceasefire, or the situation would have substantially worsened, in which case a three- to four-month withdrawal process would start.

General Sir Michael Rose, the UN commander in Bosnia, last night met Bosnian Serb leaders in a bid to stop harassment of peacekeepers in Bosnia.

Bosnian Serbs yesterday for the first time in over three weeks allowed passage of a convoy carrying 30 tonnes of fuel for UN forces in Sarajevo. But a UN spokesman said this "tiny amount" would not be sufficient for the UN to carry out its mandate.

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Leader calls confidence vote after chorus of criticism from party members

FDP closes ranks around Kinkel

By Judy Dempsey in Gera, Thuringia

Germany's Free Democrats, desperate to reverse a string of election defeats, yesterday closed ranks behind Mr Klaus Kinkel, party leader and foreign minister, after he called a surprise confidence vote at a special party congress.

Mr Kinkel, who was assailed for weak leadership at the congress on Sunday, called a snap vote early yesterday morning following an emotional speech in which he appealed for unity. "It was very bitter. Very bitter. The words I heard from the delegates," he told the packed congress hall in Gera, in the eastern state of Thuringia.

Despite the unprecedented hostility to his keynote speech on Sunday afternoon, Mr Kinkel, instead of resigning, threw down the gauntlet to the delegates. More than 65 per cent of the delegates (390) voted for him, while 185 abstained. "The vote is acceptable," a clearly relieved Mr Kinkel said later.

Members of the party presidium said Mr Kinkel had seriously considered resigning. But Mr Hans-Dietrich Genscher, the former foreign minister who had personally chosen Mr Kinkel as his successor and backed him as party leader, had persuaded him to remain on, at least until June when the party holds a special congress. The conference has also set up a a commission to examine whether the same person should be party leader and a minister.

Senior FDP members said they were concerned that if Mr Kinkel had resigned, a new party leader might try to distance the FDP from the coalition in a way which could potentially undermine the fragile stability of the government, which has a majority of only 10 in the Bundestag, or lower house.

But few delegates believe the vote for Mr Kinkel will resolve the fundamental problems facing the FDP, the junior partner in the coalition headed by Chancellor Helmut Kohl's Christian Democratic Union since 1982.

"We should have voted him out," said Mr Heinrich Sander from the North Rhine-Westphalia party organisation which faces state elections in May. "We have lost time. We will never get ourselves ready in time for the February elections in Hesse."

Mr Horst Vetter from Berlin said the party had shown that it did not have the courage for a new beginning. "The party was afraid. The old party hands rallied behind Kinkel because, at the moment, there is no alternative to him," he said.

Mr Werner Brandler, a delegate from Thuringia, said: "Regardless of this vote, the crisis is not over. Wait until June. The party will face the same problems. Where can we go? How many more elections can we afford to lose?"

In 10 consecutive elections throughout the past 18 months, the FDP has failed to be re-elected to state parliaments, failed to be elected to the European parliament, failed to have its presidential candidate elected, and barely scraped back into the Bundestag in October's parliamentary elections.

But the last two days in Gera represent more than the culmination of a series of election defeats. Rather they are the climax of a long crisis in the FDP which started in 1982 when the party, which had been in coalition with the Social Democrats, withdrew and then joined a coalition under Mr Kohl's conservatives.

"That was the beginning of the crisis," said Mr Michael Goldmann from Lower Saxony. Thousands of party members, particularly the professionals and intellectuals, left the party in disgust. Some completely withdrew from political activity while, over the past decade, others joined or voted for the Greens as they became the liberal alternative to the FDP. The FDP in west Germany has only 50,000 members, the party in east Germany has less than 30,000.

"The problem is that we have lost our identity as a liberal party because we have had to make too many compromises with the CDU," said Mr Walter Klein from North Rhine-Westphalia. "We are the lap dogs of the CDU at the expense of defending our liberal political and economic traditions."

Grassroots members believe the parliamentary party has compromised on too much of its liberal programme: cutting bureaucracy, reducing taxes, promoting greater economic liberalisation, and allowing easier access to citizenship.

The party managed to paper over the cracks after 1982 largely because it had powerful personalities, such as Mr Genscher and Mr Otto Lambsdorff, party leader until June 1993 when he was succeeded by Mr Kinkel.

"With Genscher the party never bothered to question its direction," said Ms Cornelia Schmaltz-Jacobsen, head of the federal office for foreigners' issues. "Time and complacency have caught up with us." The party yesterday set itself the task of building a new structure, improving the grassroots organisation, establishing more open communication between the central leadership and the local level, and electing Mr Guido Westerwelle, a party functionary, as the new general secretary.

But, as these decisions were being debated, there were few delegates who believed that those motions, and the show of support for Mr Kinkel, would be enough to rescue the party from defeat in Hesse and North Rhine-Westphalia.

Senior party member Hildegard Hamm-Bruecher (left) talks to Mr Klaus Kinkel after making a speech in his defence at the special party congress AP

Signs of growth in Germany and Italy boost European figures

Strong recovery in car sales

By Kevin Done, Motor Industry Correspondent

West European new car sales increased by 11.9 per cent year-on-year in November to 926,000, the European motor industry's strongest performance since the early summer.

The rebound last month was supported by clear signs of recovery in Germany and Italy combined with continuing strong growth in France, Spain and Scandinavia.

New car sales in the first 11 months rose by 5.4 per cent to an estimated 11.1m.

In Italy, where sales in the first 11 months, were still 5 per cent lower than a year ago, new car registrations rose last month by 18.9 per cent year-on-year to 135,600 according to estimates from the Italian Ministry of Transport.

German sales rose last month by 8.6 per cent to an estimated 249,000 according to figures from the European Automobile Manufacturers' Association. In the first 11 months they were virtually unchanged at 2.97m, an increase of 0.1 per cent.

Sales have continued to rise strongly in France and Spain, where the governments introduced financial incentives early this year to encourage scrapping of old cars. In France sales rose by 21.4 per cent in November to 190,700, and by 20.1 per cent year-on-year in Spain to 66,600.

Overall new car sales in November were higher than a year ago in 13 of 17 west European markets. The pace of the recovery was weakened only by the slowdown in the UK.

The UK new car market was leading west Europe out of recession in the first half of the year, but sales have declined year-on-year in each of the last two months.

The strongest growth among the Europe's big six volume carmakers has been achieved by the PSA Peugeot Citroën and Renault groups of France, which have benefited from the sales recovery at home and in Spain.

PSA Peugeot Citroën raised sales by 10.1 per cent in the first 11 months and market share to 12.8 per cent from 12.3 per cent a year ago.

The Volkswagen group of Germany, which includes Audi, Seat and Skoda, has lost ground this year in west Europe, but it staged a strong recovery in November helped by the recent launch of new models.

VW group registrations rose by an estimated 18.5 per cent last month. It was outperformed, however, by the Fiat group of Italy, which increased November sales by 34.9 per cent.

Japanese carmakers continue to lose market share with sales falling by 0.7 per cent in November despite the 11.9 per cent rise in the overall market.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-November 1994

	Volume (Units)	Volume Change(%)	Share (%) Jan-Nov' 94	Share (%) Jan-Nov' 93
TOTAL MARKET	11,100,000	+5.4	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,768,000	+3.6	15.9	16.2
– Volkswagen	1,140,500	+1.2	10.3	10.7
– Audi	291,300	+0.8	2.6	2.7
– Seat	280,400	+15.5	2.5	2.3
– Skoda*	55,800	+15.6	0.5	0.5
General Motors#	1,442,000	+4.3	13.0	13.1
– Opel/Vauxhall	1,377,100	+3.9	12.4	12.6
– Saab**	47,100	+23.0	0.4	0.4
PSA Peugeot Citroen	1,426,600	+10.1	12.8	12.3
– Peugeot	857,700	+9.6	7.7	7.4
– Citroen	568,900	+10.7	5.1	4.9
Ford group#	1,315,200	+7.0	11.8	11.7
– Ford	1,289,400	+6.9	11.6	11.5
– Jaguar	10,000	–1.7	0.1	0.1
Renault	1,217,200	+9.1	11.0	10.6
Fiat group##	1,195,300	+7.2	10.8	10.6
– Fiat	937,300	+11.9	8.4	8.0
– Lancia	152,300	–2.3	1.4	1.5
– Alfa Romeo	93,500	–13.8	0.8	1.0
BMW group	722,100	+6.2	6.5	6.5
– BMW	361,800	+5.1	3.3	3.3
– Rover	360,300	+7.2	3.2	3.2
Mercedes-Benz	396,900	+21.4	3.6	3.1
Nissan	362,200	–3.7	3.3	3.6
Toyota	293,300	–1.9	2.6	2.8
Volvo	185,800	+17.9	1.7	1.5
Mazda	167,100	–8.7	1.5	1.7
Honda	158,600	+4.8	1.4	1.4
Mitsubishi	111,100	–15.7	1.0	1.3
Suzuki	69,800	–20.8	0.6	0.8
Total Japanese	1,223,500	–6.2	11.0	12.4
MARKETS:				
Germany	2,968,300	+0.1	26.7	28.1
United Kingdom	1,837,700	+7.8	16.6	16.2
France	1,798,600	+14.6	16.2	14.9
Italy	1,533,000	–5.0	13.8	15.3
Spain	821,200	+21.7	7.4	6.4

*VW holds 31 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Greeks strike over curbs on tax evasion

By Kerin Hope in Athens

Greece yesterday felt the first impact of the finance ministry's new effort to reduce tax evasion by self-employed workers: taxi drivers, truckers and bus drivers staged a nationwide 24-hour strike.

The union of professional drivers threatened to hold more strikes over the Christmas holidays unless the government drops measures designed to increase tax paid by the owner-drivers who control most of Greece's road transport industry.

The drivers' walk-out launched a wave of strikes ahead of Friday's parliamentary debate on the 1995 budget, which restricts public sector wage increases and attempts to broaden the tax base by setting objective indicators for assessing incomes in the private sector.

The drivers object to a directive making the purchase of a new taxi, truck or bus an indicator of their income level. They also refuse to pay a 30 per cent tax on transfers of vehicle operating licences and a one-off tax on income earned over the past 10 years.

A finance ministry official said: "Road transport has escaped proper regulation because it's seen as a public service, and the drivers have taken advantage of this. Like other self-employed workers, they have to start contributing their share."

The self-employed, from doctors and lawyers to plumbers and drivers, make up about 28 per cent of the Greek workforce. They sustain an underground economy estimated at more than 30 per cent of gross domestic product, according to the finance ministry.

However, the main tax burden is carried by public sector workers and pensioners whose taxes are deducted at source.

The finance ministry is counting on a successful crackdown on tax evasion next year, together with settlement of more than 700,000 pending income tax disputes, in order to boost budget revenues by more than Dr300bn (£790m).

The Greek trade union federation has called a 24-hour strike for tomorrow in protest against next year's income policy, which restricts increases for public sector workers to 6.1 per cent, against a projected inflation rate of almost 8 per cent.

The civil servants' union has called a four-hour work stoppage the same day which is expected to shut government ministries, public utilities and state-controlled banks.

Santer backs EU expansion to east

The next president of the European Commission, Mr Jacques Santer, said yesterday he hoped to see the emerging democracies of eastern Europe joining the European Union around the turn of the century, Reuter reports from Bonn and Brussels.

He did not set a specific date for Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania to join the EU, but stressed in an interview with German radio that Europe must strive to expand eastward as fast as reasonably possible.

His optimism about widening the EU eastwards contrasted sharply, however, with gloom about the Union's future at the Commission following the decision by the outgoing president, Mr Jacques Delors, not to run as the Socialist candidate in next year's presidential election in France.

EU officials and diplomats reacted with surprise, regret and some anxiety on Monday to Mr Delors' decision. "His decision could undo all he has done here," said one EU official, referring to Mr Delors' 10-year effort as head of the Commission to further the cause of European integration.

But Mr Santer insisted in Bonn: "We will do everything to be able to lead these countries up to the European Community around the end of this century. Whether they can become full members by this date depends on developments. We must first get our house in order from an institutional perspective," he added, referring to reforms the EU will consider at a conference in 1996.

Mr Santer, current prime minister of Luxembourg, will succeed Mr Delors as head of the Commission next month. EU leaders meeting in Essen at the weekend backed plans to prepare the so-called associate countries for eventual membership, but without setting a timetable.

A Commission official said Mr Delors' legacy stood the greatest risk of erosion if the Gaullist leader, Mr Jacques Chirac, became president in May on a nationalist platform, but even prime minister Edouard Balladur was unclear in his intentions on Europe. "If anyone could have changed the political landscape of France, it was Delors," said the same source. Mr Delors, it was believed, had underestimated the power he could wield in the Elysée palace.

The source said a centre-right French government might not be that far from Mr Delors' views on Economic and Monetary Union (Emu) or defence co-operation. Mr Delors' achievements in creating the EU single market and building Emu would not unravel. But he added that Mr Delors' absence would be a handicap for those forces pushing for an overhaul of the Maastricht treaty's cumbersome inter-governmental rules in foreign, justice and home affairs policy-making.

Unanimity is the rule for decisions in these areas, but France without Mr Delors may remain just as attached as Britain to preserving national sovereignty in these areas at the EU's 1996 inter-governmental conference.

Estonia takes Treuhand sell-off route

About 80 per cent of the young Baltic state's enterprises are in private hands after a German-style search for new investment and management, writes Matthew Kaminski

Tallinn's Polümeer basketball factory was a central planner's dream. Rubber mixers, vulcanisers, moulders and weaving machines were imported from Japan to produce a million balls a year for the Soviet Union.

Alas, before a single orange Polümeer could be made, political winds shifted and newly independent Estonia's Polümeer lost its guaranteed basketball market. The plant is now up for sale along with 41 other large state-owned enterprises under the northernmost Baltic country's fifth and last international tender.

"One million basketballs a year is a little too much for Estonia [which has a population of only 1.5m]," says Mr Vaino Sarnet, director of the Estonian Privatisation Agency. "And the export market is very competitive, divided by major players long ago. Even Russia only wants western basketballs."

The two-year-old privatisation programme, based on Germany's Treuhand model, has sought to salvage just such companies with fresh investment and new management. "Through direct sales we can bring effective owners into our economy much faster than through voucher privatisation," says Mr Sarnet.

A good bid for Polümeer would include a price estimate, employment and investment guarantees, and a business plan on how a rubber ball plant can compete, he says. The agency then selects the winner and monitors the contract.

By this method, 192 companies have been sold for $98.2m, putting about 80 per cent of state property in private hands, excluding transport and public utilities infrastructure. A further $65m in capital inputs has been pledged and 24,400 jobs guaranteed. Foreigners account for about 40 per cent of investment.

The agency plans to finish its work by next year. Public utilities, train lines, harbours and oil shale industries are to go up for sale then, too. The World Bank this spring praised Estonia's progress, after a slow start.

But the system has its critics. Mr Ardo Hanson, an American economist who helped put together Estonia's currency board system, says the privatisation programme is too subjective and bureaucratic and is ill-suited for relatively dynamic Estonia.

Once a contract is signed, adds Mr Hanson, "it's not clear what happens when the buyer wants to change conditions".

The World Bank was also worried that the Treuhand model might keep "leftover items" from successful privatisations on state books too long – such as the basketball factory, whose parent company was broken up and sold off last year.

Direct sales are favoured over a voucher system of privatisation

The agency has therefore moved to put these companies on the market.

The investor most interested in Polümeer Basketball is Polümeer Toys, a privatised offshoot of the parent company.

Unlike Russia or Lithuania, where a preferential employee voucher programme enabled many old directors to keep control over their old factories, in Estonia they must submit a competitive bid.

Mr Ulo Uisk, who runs the rubber department at Polümeer Toys, is guardedly stoic. He only concedes that, "since this is the biggest rubber manufacturing in Estonia, it is important to keep it going in Estonian hands."

While very open to foreign investment – it is the only former Soviet republic that permits foreigners to own land – Estonia has felt a ripple of political backlash in recent months.

A public opinion poll this month found that the privatisation agency and the police were Estonia's least-trusted institutions.

An Estonian analyst notes this stems not only from the large flow of foreign investment, which doubles every six months, but also from the perception that criminal domestic groups are legally capitalising on the bid scheme.

Last week Mr Indrek Toome, Estonia's last Soviet prime minister and now active in real estate, was arrested for offering a $2,400 bribe. His role in privatising the large Viru Hotel in central Tallinn fed public discontent about privatisation.

Under political pressure, the Estonian government last month went ahead with a voucher privatisation programme, against Treuhand's advice.

Shares in the large Tallinn Department Store were offered on November 9, and three other prominent companies are due on the market early next year. A single core investor still will keep a majority in these companies to provide the corporate governance the Estonian programme's supporters say the country's neighbours to the east and south lack.

Another benefit from voucher privatisation is an expected boost to Estonia's fledgling equities market. Mr Alvo Reiner, who runs the Exchange Association of Estonia, expects the input of capital into the market, not only into companies, to help open a real stock exchange in a year.

Mr Sarnet defensively says Estonia's scheme at first helped bring in capital and restructure inefficient companies, such as Polümeer, but adds new methods may now be needed.

EUROPEAN NEWS DIGEST

French internal air routes open

France yesterday gave the green light to several airlines, including TAT European Airlines, an affiliate of British Airways, to operate some of the country's most profitable internal air routes. A statement from the Transport Ministry said that TAT could operate services between Marseilles and Orly airport in southern Paris and from Toulouse to Orly from January next year. AOM, the French domestic airline, has been granted a licence to fly between Marseilles and Orly, while Air Liberté won approval to operate the Toulouse-Orly route. The approval follows a protracted battle between the carriers and the French government, which has resisted the deregulation of domestic routes. An order from the European Commission, however, and a rejection of an appeal from the French government by the European Court of Justice, forced the liberalisation of the routes. The French Transport Ministry said that it was also considering a request by Euralair, the small domestic carrier, to operate the Orly-Toulouse route. According to officials, the airline needs to supply further financial information before approval can be granted. *John Ridding, Paris*

Paris phone-tap case death

A former French presidential aide, who was being investigated in a wiretapping scandal, has been found hanged, police officials said yesterday. Mr Pierre-Yves Guezou, a retired officer in the paramilitary Gendarmerie police, was one of five former aides of Socialist president François Mitterrand to be suspected of illegally tapping telephones in a case which dates back to the mid-1980s. Mr Gilles Ménage, chairman of the state utilitity Electricité de France and former head of President Mitterrand's private presidential office, is among those being investigated. The investigation centres on alleged invasion of privacy in connection with the tapping of telephones of journalists, politicians and an actress by the anti-terrorist unit of of the Elysée palace between 1983 and 1986. Last week, an investigating magistrate informed the five former aides that they were under formal investigation, a first step towards a possible trial. The death of Mr Guezou follows other suicides among the entourage of President Mitterrand, whose term expires next spring. Last April, Mr François de Grossouvre, a former security aide to the president and latterly in charge of the Elysée's hunting estates, was found dead. In May 1993, Mr Pierre Bérégovoy, the former Socialist prime minister, killed himself. *John Ridding*

Oslo bourse president sacked

Mr Erik Jarve, the president of the Oslo stock exchange, was yesterday dismissed by the board because of irregularities connected to his work. The move took the market by surprise but was not announced until after trading had closed. The bourse said Mr Jarve's irregularities had nothing to do with securities transactions or with the bourse's function in the securities market. Mr Kjell Froensdal, executive vice-president of the bourse, has been appointed interim president until a replacement for Mr Jarve can be named. He said yesterday the board had only in the past few days uncovered the irregularities connected to Mr Jarve and hinted they had to do with Mr Jarve mixing his own business with that of the bourse. KPMG Peat Marwick, the auditor, has been engaged by the bourse to undertake a thorough review of the allegations, but Mr Froensdal could not say if the matter would be referred to Norwegian police for investigation. Mr Jarve joined the Oslo bourse 26 years ago and was appointed president in 1977. He sought to end the bourse's reputation for insider trading and was also instrumental in modernising the exchange's rules, regulations and technical functions to bring it up to the latest European standards. Foreign investors have long complained of the risks associated with investing in Norwegian securities because of an alleged high rate of insider trading cases in a small business community with many cross-board representations and cross-shareholdings. *Karen Fossli, Oslo*

Hungarian coalition poll boost

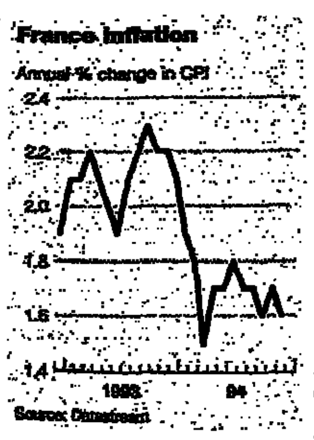
Hungary's Socialist-Liberal coalition government won all but one of the country's 19 counties as well as several large towns in Sunday's nationwide local elections, but fell short of the resounding 72 per cent victory it achieved in last May's general elections, according to partial results released last night. With 94 per cent of votes counted, the ruling Socialist party and its junior coalition partner, the Free Democrats, looked set to win a two-thirds majority in two counties and in Budapest and to win a simple majority in all other counties except for one. In Budapest, where 20 per cent of Hungary's 10.5m population lives, Mr Gabor Demszky, a Free Democrat, was easily re-elected for a second four-year term as mayor. The Socialists won 32 per cent of the capital's general assembly, with the Free Democrats and centre-right parties, which, for the first time, fielded joint candidates, in joint second place, both with 29 per cent. Independent candidates were the big winners in mayoral contests in the rest of the country, taking more than 80 per cent of the 3,150 posts nationwide. *Virginia Marsh, Budapest*

Poland ready to back bonds

Poland is considering guaranteeing bond issues by companies that win contracts in the country's toll motorway programme, Mr Richard Pazura, a deputy finance minister said at a Financial Times conference on the programme. The programme aims to build 2,600km of highways under Build Operate and Transfer (BOT) agreements at an estimated cost of $10bn (£6bn) by the year 2010. Already Poland, advised by JP Morgan, the investment bank, is preparing to launch $200m worth of bonds in the country's first entry into the foreign bond markets. However, this is the first time that an official has said the government would back further issues. The Polish government is looking to private investors and international financial institutions to provide 85 per cent of the financing for the programme, Mr Boguslaw Liberadzki, the transport minister, told the conference. Preliminary bidding for BOT concessions is expected to open next February, with the granting of the first concessions expected early in 1996. The toll highway programme would provide a link across Poland between the European Union and the countries of the former Soviet Union as well as between Scandinavia with central Europe and the Balkans. It reflects the fast growth of car ownership in Poland. *Christopher Bobinski, Warsaw*

ECONOMIC WATCH

French prices remain stable



France's provisional consumer price index was unchanged in November after a 0.3 per cent rise in October. The November provisional year-on-year increase was 1.6 per cent, the National Statistics Institute said yesterday. Analysts' average expectations were for a 0.2 per cent rise for the month and a 1.7 per cent rise year-on-year. In October consumer prices rose by 0.3 per cent, giving a year-on-year rise of 1.7 per cent. A breakdown of November's data shows that food prices dropped 0.7 per cent from October, private sector manufactured goods prices dropped 0.1 per cent, while private sector service prices rose 0.2 per cent.

■ Unemployment in Sweden fell to 7.2 per cent in November from 7.4 per cent in October.

■ Unemployment rose in Spain from 16.72 to 16.79 per cent of the workforce in November.

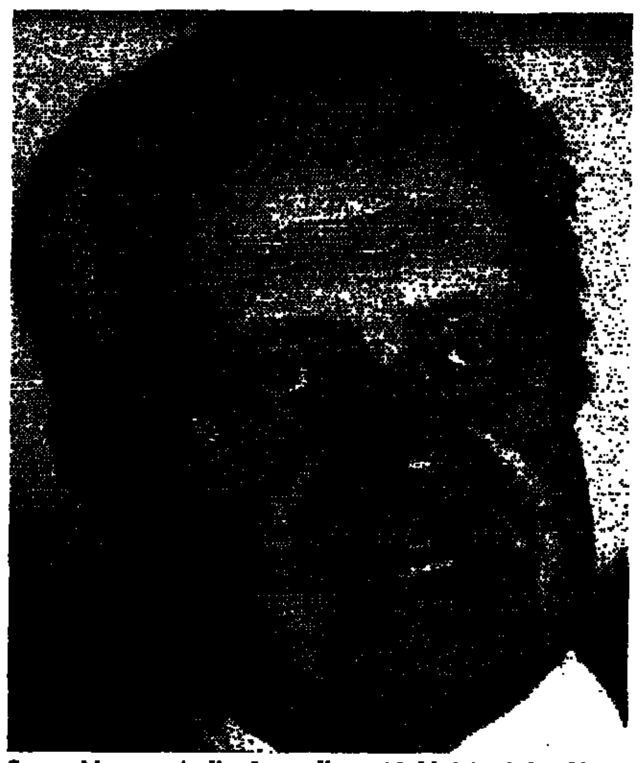
■ Consumer prices in the Czech Republic rose 0.5 per cent in November from October and 10.7 per cent from 1993.

Soares seeks battleground for last fight

Portugal's Socialist president has declared war against the centre-right government, writes Peter Wise

The opposing politics and contrasting personalities of President Mário Soares and prime minister Aníbal Cavaco Silva embody conflicting sides of the Portuguese psyche. For almost a decade they achieved a precarious harmony that resulted in a lasting and fruitful stability.

But the fragile unity collapsed this month when Mr Soares, a Socialist, marked his 70th birthday with a vehement attack on the centre-right government. Portugal's political institutions are now openly at war, upsetting the country's balance as it prepares for a general election next October and a presidential ballot in early 1996.



Soares: his power to dissolve parliament is his 'atomic bomb'

In an interview in the Diário de Noticias newspaper, Mr Soares said nine years of majority government by Mr Cavaco Silva's Social Democratic Party (PSD) had placed "excessive powers in the hands of one man". He was concerned over a growing perception that Portugal was slipping towards a "dictatorship of the majority". Dictatorship is an emotive word in Portugal.

Mr Soares's comparison of today's political climate with the 1926 revolt that ushered in 48 years of authoritarian rule was more than the PSD could bear. Mr Cavaco Silva summoned party leaders who produced a statement amounting to an official declaration of hostilities with the president.

Mr Soares had abandoned the role of neutral arbiter for which the country elected him, the PSD said, and was actively intervening in party politics to try to influence the outcome of the general election. He was persecuting the PSD, promoting instability and dividing the country.

After nine years of smiling deference towards each other – widely advertised as being for the good of the nation – Mr Soares and Mr Cavaco Silva are locked in a bare-fisted political combat in which few holds are likely to be barred.

Mr Cavaco Silva, 56, has an active political future at stake. He is expected to seek re-election as prime minister next year, but may decide to run for the presidency instead. But Mr Soares is not eligible under the constitution for a third consecutive term as president and appears more concerned about posterity.

The president and the prime minister speak from opposing sides of both the political debate and the national temperament – and each has equal legitimacy to do so. Mr Cavaco Silva's government has won two successive single-party majorities that Portugal's political system was never expected to produce.

From a hard-working, provincial Roman Catholic family, the prime minister is valued as a pragmatist who gets things done. Although sometimes dour and inflexible, he is regarded as honest, upright and frugal. Without making political comparisons, these are traits the Portuguese have prized in leaders such as Salazar and General António Ramalho Eanes, president from 1976 to 1986, and who is widely expected to enter the contest to succeed Mr Soares.

Mr Soares has chosen to close his career with a stinging attack on how he fears Portugal is evolving. The PSD party machine has taken over the state, he suggests. Parliament is a powerless mouthpiece of the government and people cannot get a job unless they belong to the PSD.

Using contested figures, he says the economic gap between Portugal and Europe is widening, not diminishing as the government promised. The Portuguese should reflect carefully before electing another majority government.

But Mr Soares's anti-government ferocity in not an unalloyed gift to Mr António Guterres, leader of the opposition Socialists. The president's domination of the political debate has made him a hero of many disaffected opposition figures but leaves the Socialist party leaders on the sidelines, looking ineffectual.

Opinion polls put the Socialists only slightly ahead of the PSD, far from the commanding lead that would make Mr Guterres a strong contender for the post of prime minister. Mr Cavaco Silva may have lost a good deal of support. But it is far from clear that Mr Guterres has yet gained enough credibility to replace him. Mr Soares's chief weapon under the semi-presidential system is the power to dissolve parliament and call an early election. He describes this as his "atomic bomb".

The president is toying with that bomb more menacingly today that at any time since he came to office. A spring election would theoretically favour the Socialists as the economic recovery forecast for next year would still be immature. But the only concrete grounds for a such a measure is that a company linked to the Portuguese armed forces is alleged to have serviced Angolan military aircraft, damaging Portugal's neutrality in its former colony's civil war.

It would be difficult for Mr Soares to justify an early election on this issue alone. But dropping hints that he is considering a dissolution of parliament is an effective way of undermining confidence in the government as the election campaign gets underway. In this climate, Mr Cavaco Silva may decide his best tactic is to call the president's bluff and offer his resignation.

Tokyo to monitor distribution networks but avoids numerical targets

Japan, US settle flat glass dispute

By Michiyo Nakamoto in Tokyo and Nancy Dunne in Washington

Japan and the US yesterday settled a long-standing trade dispute over Tokyo's flat glass market by agreeing measures to improve foreign access.

Japan's flat glass market had been one of the last unresolved issues in the bilateral framework trade negotiations launched a year and a half ago. Vehicles and vehicle parts remain the most pressing dispute.

To the clear satisfaction of the Japanese government, the agreement is in line with its insistence that numerical targets would not be used and that all benefits would be on a most favoured nation basis.

"Japan and the US, which make up 40 per cent of the world's GNP, have great responsibilities in managing the world economy," Mr Ryutaro Hashimoto, Japan's trade and industry minister, said yesterday as he announced the agreement.

"Our government will continue to reject managed trade and will continue to contribute to the world free trade system through the transition to World Trade Organisation and the Japan-US framework talks," he emphasised. Mr Hashimoto was referring to US demands that the Japanese government agree to set specific targets for foreign market access, which Japan has criticised as akin to managing trade.

Japan's flat glass market

	%
Domestic production	87.2
Imports	
US	1.6
EU	0.6
Others	10.6
Total domestic consumption	100.0

Source: MIT

The flat glass dispute arose following US claims that the Japanese market was, in all practical respects, closed to foreign suppliers as a result of the dominance of three large producers and their close relations to the country's wholesalers.

A broad agreement on flat glass trade was reached at the end of September when the two countries agreed to measures to improve foreign access to Japanese government procurement programmes and the insurance market. However, the issues of numerical targets and foreign suppliers remained unresolved.

Ryutaro Hashimoto: 'great responsibilities' for US and Japan

Yesterday's agreement calls for the Japanese government to use foreign-made flat glass products in construction projects which it funds. Such projects would introduce the benefits of foreign glass to a wider Japanese audience.

Mr Steve Farrar of Guardian Industries, one of the largest US glass producers, said the agreement was "a good deal" because Japan's distribution system would be "opened up". He was also pleased that Japan would need to demonstrate that Japanese manufacturers and distributors had fulfilled their statements of intent.

"Japan has avoided market share targets," he said. "All we get is a chance to compete, which is all we ever asked for," he said.

Under the agreement there will be annual consultations to assess the implementation of the measures, based on data collected by both sides. That data will be on agreed points such as the volume of flat glass procured by Japanese general contractors.

The issue of capital affiliation of foreign companies which increase their imports to Japan, another sticking point, was also resolved to Japan's satisfaction. "I would like to stress that we have consistently carried out our position of observance of basic free trade principles and international trade and investment rules ensuring national treatment," Mr Hashimoto said.

The US had been concerned that overseas subsidiaries of Japanese companies would be the main beneficiaries of any increase in glass imports and had been calling for a way to identify the capital affiliation of importers. Japan argued that this would discriminate against Japanese subsidiaries and other foreign companies.

Following the glass agreement, access to Japan's vehicle and vehicle parts markets is the last sectoral issue in the framework negotiations. Vehicles and parts are perhaps the most contentious issue as they comprise two-thirds of the US trade deficit with Japan. The US has started an investigation into Japan's vehicle parts market under section 301 of the US trade act. Japan has refused to restart negotiations under the threat of sanctions.

China pinches Brazilian shoe exporters

Lucrative US market is being undercut by eastern suppliers, writes **Patrick McCurry**

Calçados Tropicália, a medium-sized shoe manufacturer in the small town of Franca, 400km from São Paulo, has laid off more than a fifth of its workforce since July.

For the area's shoe exporters it is likely to get worse. "As exports continue to fall there are going to be more job losses in Franca," warns Tropicália director Mr Paulo Henrique Cintra.

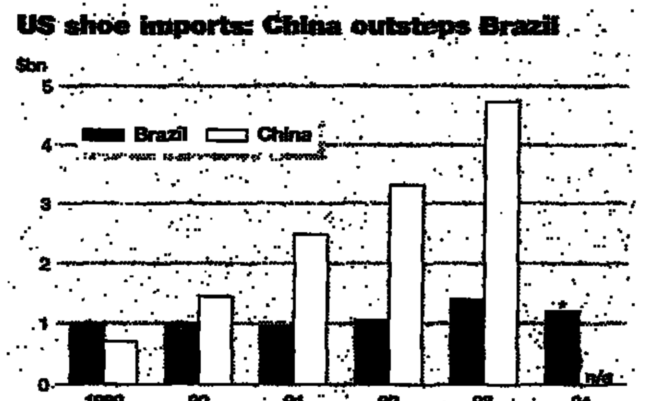
The job cuts stem from a dramatic turnaround in the prospects for Brazil's shoe export industry. After years of growth, climaxing last year with exports of nearly $2bn, overseas sales are being squeezed by growing Chinese competition and local currency appreciation.

While Brazil's exports face growing pressure at the cheap end, its middle range niche, where it specialises in women's shoes, appears to be safe in the short term because of competitive advantages of relatively cheap labour, good quality and established distribution networks in the key US market.

However, to protect its position in this middle market analysts warn that Brazilian manufacturers must continue to cut costs and improve productivity, which will probably mean more job losses and contracting out of services.

Last year Brazil produced 562m pairs of shoes, behind only China and Taiwan, and exported 183m, 80 per cent to the US where it was the third largest exporter. Exports were $1.95bn compared to $1.47bn in 1992.

US shoe imports: China outsteps Brazil



Source: US Department of Commerce * Brazilian shoe industry estimate

This year, however, companies expect sales to fall 12-15 per cent. Next year business could be even worse as the effects of a 15 per cent appreciation in the new Real currency, launched in July, feed into higher export prices.

In response, many exporters are switching attention to the local market, where demand has increased with a fall in the inflation rate. But manufacturers believe the current high demand will slip back by early next year, putting more pressure on exporters.

These companies, who began to sell abroad in large numbers in the 1970s following export incentives from Brazil's military governments, have benefited from cheap labour and a large local supply of leather.

But today they are looking over their backs at even lower-cost rivals such as China which are targeting the bottom end of the market, often sandals and cheap shoes with an export price of $5-$8 supplied to US chains like K-Mart. This market represents a quarter of Brazil's shoe exports.

Because of the appreciation of the Real, many Brazilian exporters have recently raised prices by 10-15 per cent. However, higher prices are losing Brazil export orders.

Mr Peter Mangione, president of the New York-based Footwear Distributors and Retailers of America, warns: "The bottom end of the market is extremely price sensitive and these price increases mean buyers are switching to China or India."

The problems have led to dozens of factory closures and the loss of about 10,000 jobs this year in Vale dos Sinos, a shoemaking centre in the southern state of Rio Grande do Sul, where about 75,000 workers are employed.

In the middle range market, in which export prices are about $10 and US retail prices $40-$50, Brazil still occupies a competitive position. In this market, which represents half its shoe exports, Brazil is ahead of the Chinese on quality and the Europeans on price.

Although these competitive advantages have allowed Brazilian companies to pass on some of their higher costs, the longer term outlook is less secure.

"Unless there is a severe adjustment by Brazilian industry in the next few years, the Chinese will catch up with them or the Italians and Spanish will target that middle range niche," says Mr Mangione.

Industry appeals for more government help have not been answered, partly because a strong currency is part of the government's anti-inflation strategy. Also, the opening of the economy since 1990 has meant a reduction in government protection of industry.

Companies believe the only way forward is to continue the process of improving quality and productivity by, for example, increasing the contracting out of jobs like sewing. In Franca the number of unofficial family-run workshops serving factories has jumped more than threefold to about 1,000 in the last three years.

Exporters are also attempting to improve quality and the variety of models. "Our advantage is that because of our long experience in dealing with the overseas market we have become very versatile in design and we can respond quickly to requests for different models," says Mr Miguel Heitor Betarello, a director of Franca's biggest shoe exporter Calçados HB.

The company sees itself competing more with Europeans at the upper end of the market in the future. This, Mr Mangione believes, would be a mistake.

"The industry should stick to the $50 retail market where it is competitive. As you move up the price spectrum the volumes are much smaller and the competition from the Europeans is extremely tough," he says.

Test for Jakarta's free trade support

By Manuela Saragosa in Jakarta

Tariff protection for Indonesia's first olefin products plant is emerging as a test case of Indonesia's commitment to free trade.

The debate on protection for the petrochemicals plant follows last month's Asia Pacific Economic Co-operation summit hosted by President Suharto, at which he emerged as an enthusiastic supporter of free trade.

The Apec declaration, signed by heads of state from 18 governments including the US, agreed to draw up concrete plans in the next year for free trade and investment in the Pacific rim region by 2020.

Mr Peter Gontha, a well-connected entrepreneur, has submitted a request to the Indonesian government for tariffs of between 35 and 40 per cent on imports of olefin products, petroleum-based chemicals widely used to manufacture textiles.

The tariffs would protect the Chandra Asri plant, due to come on stream next year, from cheaper Singaporean, Malaysian, Japanese and South Korean olefin imports. Mr Gontha argues the protection is necessary because it will take several years before Chandra Asri becomes profitable.

However, many economists say protection would undermine President Suharto's commitment to free trade and the government's efforts to liberalise the economy. The issue is further complicated because President Suharto's son, Mr Bambang Trihatmodjo, is a shareholder in the Chandra Asri project.

The issue of protection for the plant has become a hotly debated topic among government ministers. Mr Mar'ie Muhammad, Indonesia's minister of finance, has made clear he is not in favour of the proposal.

The private sector has also been protesting. P T Teijin Indonesia Fibre, a Japanese synthetic fibres manufacturer, said its competitiveness would be hampered if President Suharto decided to impose import duties as high as 35 per cent or 40 per cent on olefin imports.

"If the government wants to satisfy Chandra Asri, which wants to rake in profits easily, just go ahead. But the government has to be ready if intermediate and downstream industries drop off one after another," Mr Kikuo Hori, Teijin's president, was quoted as saying.

Officials at Teijin are asking the Indonesian government to consider the matter seriously. A hearing on the protection is scheduled for today.

VENTURES AND CONTRACTS

Daewoo plant for Poland

Daewoo Electronics of South Korea will build its biggest foreign production complex in Poland as part of its strategy to capture 10 per cent of the European market for consumer electronics by 2000. The production site at Pruszkow, 25km west of Warsaw, will manufacture consumer electronic goods, home appliances and electronic components.

Production will amount to $200m in annual sales with 60 per cent of output being exported to the rest of Europe. Construction at Pruszkow, where Daewoo already makes colour televisions, will be completed by 1996. Plans include the annual production of 100,000 washing machines, 200,000 refrigerators and 200,000 car audio systems. Colour television production will be increased from 400,000 to 600,000.

It is the second largest recent investment in Europe by a Korean electronics company, following Samsung's decision to build a manufacturing plant in north-east England at a cost of $700m. Daewoo, which produces VCRs in Northern Ireland and colour televisions, picture tubes and microwave ovens in Lorraine, France, said it selected Poland because of its low-cost skilled labour, good industrial infrastructure, political stability and central location in Europe. *John Burton, Seoul*

New African airline launched

Africa's newest airline, Alliance, was launched yesterday in Dar-es-Salaam, Tanzania, as a joint venture between the Tanzanian and Ugandan governments, their national carriers, and South African Airways. The initiative is one of the first concrete benefits to other African countries following South Africa's reintegration into the continent. Alliance was first mooted seven years ago as a joint venture between Tanzania, Uganda and Zambia but did not get off the ground until SAA was approached following Zambia's withdrawal. SAA will hold 40 per cent of the new company, with Air Tanzania and Uganda Airlines owning 10 per cent each and the two governments 5 per cent each. The remainder will be held by east African private investors. The South African carrier will be responsible for equipment and maintenance, and provide crew. Alliance plans to operate services to and from various east African destinations. Its first flight is scheduled for March 1995 and initial international routes will be to London, Bombay, Dubai and Johannesburg. *Mark Suzman, Johannesburg*

UTC in more China ventures

United Technologies (UTC), the US aero-engines, helicopters, lifts and air-conditioning group, is forming another 13 joint ventures in China. The new ventures are in several regions of China and follow 10 existing UTC ventures. For the first time the ventures will include Pratt & Whitney, UTC's aero-engine producer, and Sikorsky, its helicopter company. UTC's sales in China soared from $79.1m in 1989 to an estimated $520.6m this year, with the Otis lift and escalator business accounting for $213.3m. Otis and Carrier, the air-conditioning company, currently have four Chinese joint ventures apiece, and are each in the process of forming three more. UTC claims Chinese market shares of 24 per cent and 20.5 per cent for elevators and air-conditioning respectively. Mr George David, president and chief executive, predicted strong growth for both businesses in China. P&W's sales in China have risen from $29.3m in 1989 to an estimated $196.8m this year. Mr David said there was not room for "three engine companies on one wing" – a reference to the fierce battle between P&W, General Electric of the US and Rolls-Royce of the UK for engine orders on the Boeing 777. *Andrew Baxter, London*

■ SKF, the leading manufacturer of roller bearings, yesterday announced plans to build a factory in China in a joint venture with Shanghai Bearing Corp. The Swedish group will hold 60 per cent of the new company, SKF Automotive Bearings, and invest a total of SKr100m ($13.3m). The venture expects to supply car makers in China. The new factory will be in Shanghai and should be operational by mid-1995. SKF says the unit should enable its Chinese sales to double from this year's SKr280m by the end of the decade. *Christopher Brown-Humes, Stockholm*

■ Land Rover of the UK has won a series of contracts totalling $16m to supply vehicles to Italy. The company is selling 840 Defender four-wheel-drive vehicles to Italy's Carabinieri police and another 290 Defenders to the Italian forestry commission, fire brigade and financial police. *Extel, London*

■ Jidosha Kiki Co (JKC), a Japanese maker of car brake systems, is forming a joint venture in Spain with AlliedSignal Automotive Europe, the European unit of AlliedSignal Inc of the US. The venture will be set up under the name AlliedSignal Jidosha Kiki Europe SA to produce and market a brake system component. *Reuter, Tokyo*

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	–174.2	–164.5	0.7623	100.0
1986	231.0	–140.6	–153.7	0.9836	80.2
1987	220.2	–131.8	–144.8	1.1541	70.3
1988	272.5	–100.2	–108.3	1.1833	66.0
1989	330.2	–99.3	–93.3	1.1017	69.4
1990	309.0	–79.3	–72.0	1.2745	65.1
1991	340.5	–53.5	–5.6	1.2391	64.5
1992	345.9	–65.2	–52.4	1.2957	62.9
1993	397.3	–98.7	–98.8	1.1705	65.6
4th qtr.1993	106.9	–25.0	–26.9	1.1388	66.4
1st qtr.1994	106.9	–28.9	–28.7	1.1244	66.8
2nd qtr.1994	107.7	–32.7	–31.9	1.1605	65.3
3rd qtr.1994	108.7	–33.6		1.2232	62.8
November 1993	35.5	–8.8	n.a.	1.1282	66.6
December	36.9	–6.9	n.a.	1.1287	67.0
January 1994	35.2	–9.7	n.a.	1.1139	67.5
February	34.1	–10.8	n.a.	1.1184	66.7
March	37.5	–8.4	n.a.	1.1410	66.1
April	36.1	–10.6	n.a.	1.1385	66.0
May	35.4	–11.1	n.a.	1.1622	65.3
June	36.3	–11.0	n.a.	1.1808	64.8
July	33.6	–12.2	n.a.	1.2187	63.0
August	37.0	–10.5	n.a.	1.2196	63.1
September	36.1	–11.0	n.a.	1.2312	62.3
October			n.a.	1.2544	61.5

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.3	166.58	133.2
1988	219.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	88.8	164.05	142.9
1993	300.0	121.0	111.0	130.31	173.8
4th qtr.1993	75.6	30.3	27.2	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.6	28.7	119.84	187.1
3rd qtr.1994	80.4	30.1	26.2	121.14	189.9
November 1993	25.2	9.9	8.4	121.66	181.8
December	25.7	10.6	9.8	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	28.9	11.3	10.1	118.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	7.8	120.67	188.2
June	28.0	10.8	10.0	121.06	186.8
July	26.8	11.1	9.9	120.00	191.5
August	26.9	9.2	7.8	121.85	188.7
September	26.7	9.8	8.5	121.58	189.6
October	25.4	8.0	6.4	123.45	188.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.2	21.7	2.2260	100.0
1986	*248.5*	*53.4*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.6*
1989	*310.2*	*65.4*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.8	38.9	2.0537	119.1
1991	327.4	11.2	–15.7	2.0480	117.7
1992	330.6	16.8	–17.0	2.0187	121.2
1993	323.1	30.8	–17.2	1.9337	124.6
4th qtr.1993	82.7	9.7	–5.3	1.9181	124[illegible]
1st qtr.1994	81.9	7.6	–5.9	1.9370	122.4
2nd qtr.1994	88.8	11.3	–2.7	1.9276	123.5
3rd qtr.1994			–13.3	1.9098	126.0
November 1993	27.8	3.1	–0.9	1.9182	124.5
December	27.3	3.3	–1.6	1.9306	123.7
January 1994	26.8	3.1	–1.6	1.9415	122.2
February	28.3	3.2	–2.3	1.9397	121.8
March	26.8	1.2	–1.9	1.9299	123.2
April	29.1	4.6	–0.6	1.9336	122.8
May	30.2	3.1	–2.3	1.9265	123.5
June	30.6	3.6	0.1	1.9228	124.3
July	29.0	2.1	–7.0	1.9117	125.7
August	30.5	4.1	–3.4	1.9075	126.3
September			–2.7	1.9073	126.1
October				1.9072	126.4

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	–3.7	–0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	–4.6	–3.7	6.9285	103.0
1988	141.9	–3.9	–3.4	7.0354	100.8
1989	162.9	–6.3	–3.6	7.0169	99.8
1990	170.1	–7.2	–7.2	6.9202	104.8
1991	175.4	–4.2	–4.9	6.9643	102.7
1992	182.6	4.6	2.9	6.8420	106.0
1993	179.5	13.4	8.9	6.6281	108.3
4th qtr.1993	46.1	4.4	3.0	6.6431	107.3
1st qtr.1994	46.5	2.4	3.4	6.5881	108.0
2nd qtr.1994	48.7	3.2	0.6	6.5967	108.0
3rd qtr.1994	49.6	3.3		6.5362	110.0
November 1993	15.1	1.14	0.32	6.6637	106.8
December	16.0	2.01	1.84	6.6025	108.2
January 1994	15.3	0.28	2.36	6.5956	107.9
February	15.2	0.74	–0.29	6.5905	107.6
March	16.0	1.35	1.36	6.5782	108.3
April	15.8	1.19	0.42	6.6240	107.1
May	16.6	1.16	0.17	6.5972	107.9
June	16.2	0.88	–0.06	6.5688	108.8
July	16.0	0.69	1.17	6.5508	109.7
August	17.1	1.18	–0.04	6.5347	110.2
September	16.5	1.41		6.5233	110.3
October				6.5261	110.5

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	–16.0	–5.4	1443.0	100.0
1986	99.4	–2.5	–1.4	1461.6	101.4
1987	100.7	–7.5	–2.1	1494.3	101.2
1988	106.3	–8.9	–8.0	1536.8	97.8
1989	127.8	–11.3	–17.0	1509.2	98.6
1990	133.6	–9.3	–18.0	1523.2	100.6
1991	137.0	–10.5	–17.7	1531.3	98.9
1992	137.9	–8.0	–20.6	1591.5	95.7
1993	144.3	17.9	9.8	1836.7	79.6
4th qtr.1993	38.9	6.7	5.6	1879.8	77.0
1st qtr.1994	37.5	3.4	1.1	1892.8	78.2
2nd qtr.1994	40.7	4.7	2.8	1881.2	77.8
3rd qtr.1994	38.0	6.2		1920.2	75.6
November 1993	12.8	1.6	1.7	1880.7	77.0
December	12.9	2.7	1.7	1903.8	76.1
January 1994	10.2	0.1	–0.9	1892.5	76.2
February	12.8	1.6	1.3	1883.9	76.4
March	14.5	1.7	0.8	1901.9	75.9
April	12.9	1.4	1.0	1850.1	78.0
May	13.7	1.6	0.9	1852.9	78.2
June	14.0	1.7	0.8	1860.5	77.1
July	14.2	3.1	1.9	1904.5	76.3
August	9.9	2.0	1.8	1928.3	75.4
September	14.0	1.1		1928.0	75.3
October				1942.9	74.9

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	–5.7	3.8	0.5890	100.0
1986	108.3	–14.2	–1.3	0.6708	91.6
1987	112.3	–16.4	–7.1	0.7047	90.1
1988	120.9	–32.3	–25.0	0.6643	95.5
1989	137.0	–36.7	–33.5	0.6728	92.6
1990	142.3	–26.3	–26.6	0.7150	91.3
1991	147.7	–14.7	–11.7	0.7002	91.7
1992	145.9	–17.8	–13.4	0.7369	88.4
1993	156.1	–17.0	–13.3	0.7780	80.2
4th qtr.1993	40.7	–4.2	–2.8	0.7695	81.1
1st qtr.1994	42.3	–3.9	–1.7	0.7554	81.3
2nd qtr.1994	43.0	–3.1	–0.9	0.7716	80.0
3rd qtr.1994	44.2	–1.9		0.7885	79.2
November 1993	13.4	–1.5	n.a.	0.7620	81.0
December	13.7	–1.6	n.a.	0.7573	81.7
January 1994	14.4	–1.2	n.a.	0.7456	82.4
February	14.0	–1.1	n.a.	0.7557	81.0
March	13.9	–1.6	n.a.	0.7649	80.6
April	14.5	–0.8	n.a.	0.7673	80.0
May	14.0	–1.3	n.a.	0.7733	79.9
June	14.4	–1.0	n.a.	0.7741	80.1
July	14.5	–0.6	n.a.	0.7881	79.2
August	14.7	–0.7	n.a.	0.7906	79.0
September	14.9	–0.6	n.a.	0.7867	79.3
October			n.a.	0.7812	80.2

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

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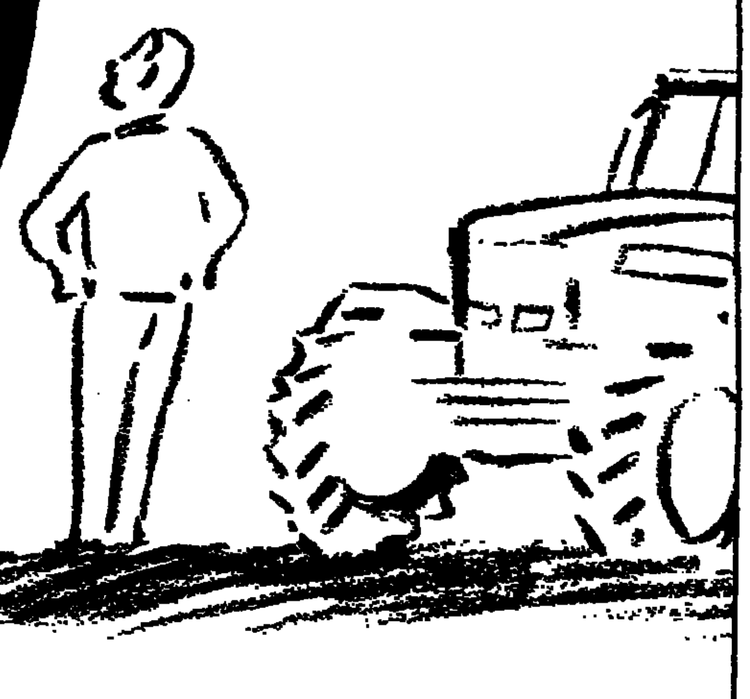
VENTURES AND CONTRACTS

Daewoo pla[...] for Poland

New African airline laun[...]

UTC in more China ve[...]



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LEADER INST.A - INB

Chatichai's move comes after defection by five parties

Ousted former premier joins Thai coalition

By Victor Mallet in Bangkok

General Chatichai Choonhavan, the former Thai prime minister whose government was overthrown in a military coup d'état on the grounds of corruption in 1991, yesterday agreed in principle to bring his Chart Pattana (National Development) party into the coalition government.

Mr Chuan Leekpai, the present Democrat party prime minister, was forced to woo Gen Chatichai after one of the five parties in the ruling coalition defected last week.

The defection of Gen Chavalit Yongchaiyudh's New Aspiration party left Mr Chuan in charge of only a minority of the seats in parliament. Without an alliance with one of the opposition parties, Mr Chuan would probably be obliged to dissolve the assembly and call an early general election.

Yesterday's provisional deal – an agreement on the cabinet seats to be allocated to the new coalition partner has yet to be finalised – has raised eyebrows among even those Thais used to the byzantine negotiations that characterise the country's corruption-prone politics.

Only days ago, Chart Pattana solemnly declared along with other opposition parties that it would never join Mr Chuan's coalition, and yesterday's announcement prompted accusations of hypocrisy and betrayal from Gen Chatichai's former opposition colleagues.

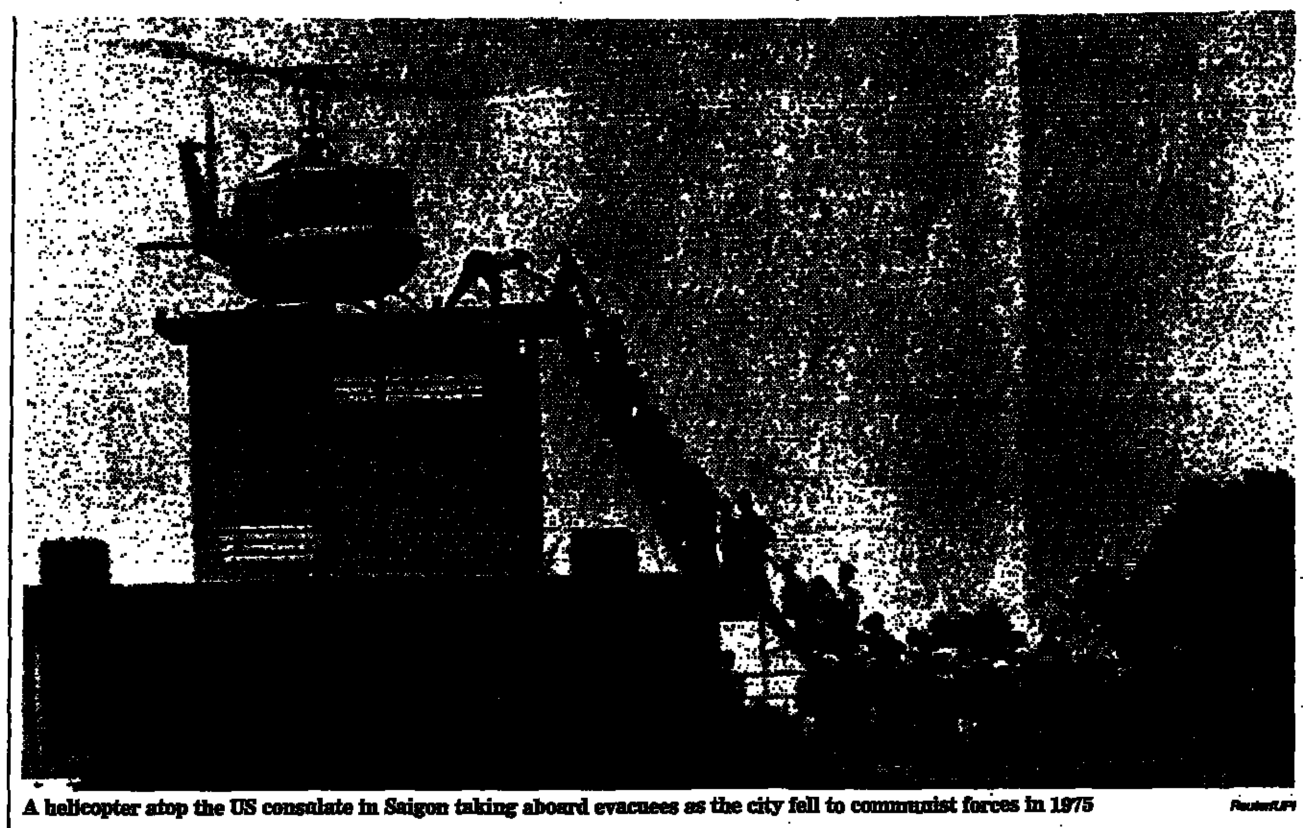
Mr Chuan and Gen Chatichai are longstanding rivals, but the two sides are justifying their plans for an uncomfortable marriage of convenience by pointing to the need for stability. "Foreign investment and economic development have been disrupted by the halting of government," Gen Chatichai told reporters yesterday. "So we decided to help to uphold the stability of government in the national interest."

Stock market investors have been watching the political situation nervously, and on Friday the Stock Exchange of Thailand index fell 2.4 per cent following Gen Chavalit's defection and reports that he had held talks with fellow army generals. The market was closed yesterday for a holiday.

Yesterday's provisional agreement marks the end of a two-year period during which political parties were divided into "angels" or "devils" in the Thai press, depending on whether they supported or opposed pro-democracy demonstrations in 1992 during which 50 protestors were shot dead by Thai troops.

Mr Chuan's coalition, elected in September 1992 for a four-year term following the violence in May, was composed largely of "angelic" members of parliament. In spite of having being overthrown by the armed forces a year earlier, Gen Chatichai and his supporters were pro-military "devils".

Even before the coalition's deal with Chart Pattana has been finalised, commentators are starting to predict its collapse because another party – Palang Dharma (Buddhist Force) – will have profound differences of opinion with Gen Chatichai and his followers.



A helicopter atop the US consulate in Saigon taking aboard evacuees as the city fell to communist forces in 1975 Reuter/UPI

Vietnam in deal over US embassy

By Our Hanoi Correspondent

The former US embassy in Saigon, once the scene of frantic efforts by staff to evacuate Americans by helicopter as North Vietnamese tanks smashed their way into the city in 1975, has become the centrepiece of diplomatic moves of a rather different nature.

The cheerless white structure in central Saigon, now known more commonly as Ho Chi Minh City, is one of 36 US government buildings in the city whose fate has been decided under an agreement between Vietnam and the US.

The deal, details of which were not revealed, took 11 months to negotiate and included a decision on the future of the former South Vietnamese embassy in Washington, which occupies a prime site not far from the White House.

The US embassy building in Saigon is just down the road from the presidential palace in the city's bustling centre. Its current tenant is Vietnam's state oil agency, and its peeling facade remains in much the same state as it was at the end of the Vietnam war. However, there are plans for two large hotels backed by foreign investment on the opposite side of the street and the site itself has attracted attention from developers. "It's an interesting piece of real estate," said one Vietnam-based US businessman. "That's going to be the most interesting strip in Saigon."

US State Department officials say this clears the way for the opening of diplomatic liaison offices in the two countries' capitals by the end of the year, a target set by Hanoi and an important step in establishing full relations.

President Bill Clinton removed the US trade embargo in February, but settling the issue of outstanding governmental and commercial claims had to come before any initiative on closer relations, Hanoi-based US officials say.

Commercial assets seized by victorious communist forces and worth about $230m include offices owned by US banks such as Citibank and Chase Manhattan, as well as insurer American International Group.

Caterpillar, the construction equipment maker, estimates that hundreds of its earth-moving vehicles are still in use in the southern part of the country. Diplomats say agreements on commercial assets would be settled shortly, although this has not held up US banks' moves into Vietnam.

Chase Manhattan last week received approval to open a representative office in Hanoi. Citibank and Bank of America were awarded full branches for Hanoi late last month.

It is unclear what will become of the former US mission building, as US diplomatic representation will be focused on the capital Hanoi. The last job handled by US diplomats in Saigon was to try to co-ordinate the evacuation of the city's few remaining Americans and some Vietnamese from the building's rooftop. The operation quickly dissolved into a panicked struggle for places on departing helicopters. An Air America official was pictured punching one Vietnamese clutching at a helicopter foot-plate as it was taking off.

Reuter adds: Vietnam's central bank said it had appointed Bank of Tokyo and Australia and New Zealand Banking Group as advisers on the restructuring of the country's medium- and long-term commercial bank debt.

INTERNATIONAL NEWS DIGEST

Kenya opens to foreign investors

Kenya said yesterday it would allow foreign investment on its stock exchange, a key demand by donors which underwrite annual aid of $800m (£488m). The move, from January 1, was announced by President Daniel arap Moi at a rally to mark 31 years of independence from British rule. It came two days before a meeting in Paris of western donors which will examine Kenya's economic performance in the last year and, if satisfied, pledge aid for the next year. The president said such investment would not exceed 20 per cent of total company share capital. Mr Moi said he had also directed his minister of finance to allow private foreign exchange bureaux from January 1995. This follow a series of economic reforms by the government, including floating the currency and removal of import and export trade barriers. *Reuter, Nairobi*

Iran to pay British creditors

Iran's central bank will soon begin making overdue payments to British creditors, Iran's official news agency Irna said yesterday. Irna quoted a source at the central bank as saying debts of up to $30,000 (£19,000) would be repaid immediately and payments involving bigger amounts would start in the coming weeks. Iran chalked up more than $10bn in foreign debt arrears by the start of this year after weak oil prices lowered its income following two years of high imports. It rescheduled $8bn of the debt this year in a series of agreements with its creditors led by Germany and Japan. *Reuter, Nicosia*

Lee sues newspaper over article

Mr Lee Kuan Kew, Singapore's elder statesman, has filed a civil suit for damages against Mr Christopher Lingle, a US academic, and executives of the International Herald Tribune newspaper over an article Mr Lingle wrote, a Tribune official said yesterday. On Saturday the Tribune published an apology to Mr Lee and to the Singapore judiciary over remarks in the October 7 article by Mr Lingle, who was then a professor at the National University of Singapore. The suit is in addition to a contempt of court action by the Singapore government over Mr Lingle's opinion piece. The contempt case is scheduled for a Singapore high court hearing on January 9. A court date has not been set for Mr Lee's civil suit, the Tribune said.

Mr Bruce Singer, the paper's spokesman, said Mr Lee claimed he had been libelled. Mr Lee, now senior minister, was prime minister from 1959 to 1990. He has brought the suit against Mr Lingle as well as Mr Michael Richardson, the paper's Asia editor, and Mr John Vinocur, the executive editor and vice president, Mr Singer said. In its December 10-11 edition, the paper apologised over remarks in the article that, among other comments critical of Asian governments, referred to unnamed "intolerant regimes" and attacked their judiciaries. *Reuter, Singapore*

New Japanese party loses

Japan's new opposition party faced its first electoral test on Sunday – and failed it spectacularly. The New Frontier party, formed by the merger of nine opposition groups, was crushed by the Liberal Democratic party in local elections in the eastern prefecture of Ibaraki, near Tokyo. Voters in the traditional stronghold of the LDP rejected the message of reform preached by the NFP despite the recent arrests on bribery charges of both the prefectural governor, and a former construction minister and national parliamentary representative from Ibaraki. *Gerard Baker, Tokyo*

Shanghai share fraud arrest

Police have arrested a top company official in the biggest corruption case in the history of the Shanghai Stock Exchange. Mr Zhu Jianping, 48, deputy general manager of Shanghai Rubber Belt, allegedly earned Yn800,000 (£60,000) by selling shares in his own company. The announcement of his arrest adds to the woes of a market tarnished by speculation and battered by a wave of selling in the past several months. "He's nothing more than a worm in the reform process," one prosecutor said. *Reuter, Shanghai*

Veteran Chinese leader dies

Mr Yao Yilin (pictured in 1980 left), one of China's veteran leaders, died in Beijing on Sunday. He was 77 and had served in many government posts, including head of the State Planning Commission and head of the leading group in charge of finance and the economy under the Central Committee of the Communist party. He had also been a member of the standing committee of the politburo. Like many of his colleagues Mr Yao, a graduate of Beijing's prestigious Qinghua university, was purged at the onset of the Cultural Revolution in 1966. In latter years he was seen as a conservative voice among older-generation leaders, urging caution in economic reforms. *Tony Walker, Beijing*

■ China's unemployment rate will rise to 3.0 per cent in 1995 from 2.7 per cent in the first nine months of this year, said Mr Li Boyong, labour minister. *Reuter, Beijing*

■ Australian retail sales rose 2.4 per cent to A$9.35bn in October, seasonally adjusted, from A$9.13bn in September, the Australian Bureau of Statistics said. In the year to October, retail sales rose 9.2 per cent. *Reuter, Sydney*

Bosnia dominates Islamic conference

By Roger Matthews, Middle East Editor

The crisis in Bosnia is expected to dominate the summit meeting of the Islamic Conference Organisation which opens in Casablanca today, but disputes over Middle East issues are already threatening to sour the atmosphere.

Bosnian representatives were confident yesterday that the 52-member organisation would adopt a strongly worded resolution, including a call for the dispatch of military aid.

Mr Nerkuz Arifhodzic, the Bosinian ambassador to the Maghreb states, said the draft resolution also outlined a plan of diplomatic, political and economic action.

"I have no doubt that it will meet with a very good response at the summit and help define a concrete and effective programme of action," he said.

The ambassador added that there was a determination among the member states to help Bosnia "in its legitimate self-defence and to give it the right to resist". Members of the ICO have been urging the west to lift the arms embargo on Bosnia, although few have advocated breaking it unilaterally.

Mr Amr Moussa, Egyptian foreign minister, said yesterday that it was immoral to prevent the Bosnians being given the right to defend themselves. He added that the conference would repeat its previous offer to send peacekeeping troops to the area.

However, rows between Iraq and Kuwait, and between Jordan and the Palestine Liberation Organisation over their roles in the future of Jerusalem, have proved difficult to resolve in the preparatory ministerial meeting.

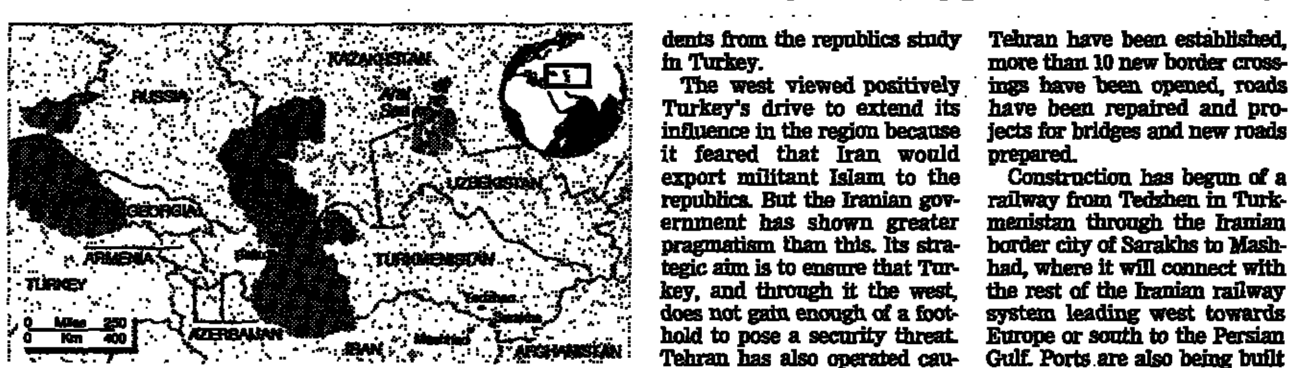
Kuwait is pressing for a strongly worded resolution confirming that sanctions against Iraq should not be lifted, while the Baghdad government was demanding a reference to the suffering of its people as a result of the sanctions.

Jordan is meanwhile asking the conference to affirm its historic role in administering the Islamic sites in Jerusalem until such time as the Palestinians "are able to assume their sovereignty over the city". Representatives of the Palestine Liberation Organisation have countered that such a declaration would jeopardise their claim to the eastern half of Jerusalem.

Iran gains in scramble for central Asia

John Barham and Scheherazade Daneshkhu on strategic struggle with Turkey

The decision last month by the former Soviet republic of Azerbaijan to give Tehran a share in a $7.4bn international consortium to develop its oil fields in the Caspian Sea was a triumph for Iran but a setback for Turkey as the two historical enemies compete to extend their influence over the young republics of the Caucasus and central Asia.



Iran was not involved in the deal at first but after a visit to Baku by Mr Gholamreza Agazadeh, Iran's oil minister, Azerbaijan, which holds 20 per cent of the shares in the consortium, agreed to transfer a quarter of them to Iran – giving Tehran a 5 per cent stake in the consortium – in exchange for financial and technical assistance.

Turkey has been trying to raise its 1.75 per cent stake in the consortium, which includes British Petroleum, Russia's Lukoil, and US oil companies. Apart from outmanoeuvring Turkey, Iran's involvement has caused "great concern" according to a Russian foreign ministry official because of fears that Iran and other littoral states of the Caspian Sea will conclude a pipeline deal to carry oil through Iran and outside Russia's control.

Iran's deal with Azerbaijan highlights the limits of Turkey's much-vaunted cultural, linguistic and religious ties with central Asia. After the Soviet Union collapsed, Turkey hoped the republics – Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan – would form a sub-regional bloc under its leadership. President Suleyman Demirel envisaged a new regional sub-bloc under Turkish leadership. He spoke of "a Turkic world stretching from the Adriatic Sea to the Great Wall of China".

In October he hosted a second summit of regional leaders in Istanbul. However, officials realise nowadays that expectations on both sides were raised too high, acknowledging that Turkey is financially and technically unable to meet many of the republics' needs.

Mr Mümtaz Soysal, who resigned as foreign minister last week, said Turkey's interest in the region was "mainly sentimental". Policy was being developed "under pressure from public opinion and does not yield much profit. It is a drain on our economy for the time being."

Troubles at home – high inflation, Kurdish insurgency and growing Islamic fundamentalism – have not helped. Yet Turkish officials still view central Asia as a strategic and trade priority. The Caucasus and central Asia are rich in oil, gas and minerals and could yet develop into an attractive export market.

Turkish companies have signed $3.7bn-worth of construction contracts there in the last three years and trade has risen rapidly to $640m a year. Ankara has a $100m a year aid budget. Turkey broadcasts to the region from its new Turksat satellite. Over 10,000 students from the republics study in Turkey.

The west viewed positively Turkey's drive to extend its influence in the region because it feared that Iran would export militant Islam to the republics. But the Iranian government has shown greater pragmatism than this. Its strategic aim is to ensure that Turkey, and through it the west, does not gain enough of a foothold to pose a security threat. Tehran has also operated cautiously for fear of fanning secessionist tendencies within its own borders.

It has sought to exert political influence by trying to revive the old Silk Route with a series of transport and trade agreements with these landlocked states. Here it has an important advantage over Turkey, since it shares a long border with the central Asian states and with Azerbaijan.

Its initiatives include a number of oil and gas agreements. Iran and Turkmenistan have signed a co-operation agreement to lay a pipeline to carry Turkmen gas to Europe through Iran. An agreement has also been signed for the transfer of 2m tonnes of crude oil from Kazakhstan through the Caspian Sea to Iran and the two countries are also discussing an oil pipeline.

Weekly flights between the capitals of the republics and Tehran have been established, more than 10 new border crossings have been opened, roads have been repaired and projects for bridges and new roads prepared.

Construction has begun of a railway from Tedzhen in Turkmenistan through the Iranian border city of Sarakhs to Mashhad, where it will connect with the rest of the Iranian railway system leading west towards Europe or south to the Persian Gulf. Ports are also being built or expanded along the Caspian Sea, and new shipping routes created.

The route of future pipelines carrying oil and gas from the region to markets in Europe is vital. All three rivals believe infrastructure links will help determine strategic and trade links. With Russia, Turkey and Iran all competing, Russia has the advantage because of its continued relationship with the central Asian states since the break-up of the Soviet Union.

Despite Turkey's declared interest in the area, the Azerbaijan-Iran oil deal shows it still lacks clear means of implementing its objectives. Mr Sami Kohen, a veteran Turkish foreign affairs columnist, says the post-Soviet world offers "new opportunities for Turkey to emerge as a regional power. But first it must put its domestic house in order."

UK, China seek accord on Hong Kong appeal court

Simon Holberton on the background to tomorrow's talks as Britain seeks clarification of Beijing's attitude

When British and Chinese officials in charge of Hong Kong affairs assemble tomorrow in the ornate state rooms of the Foreign Office in London, the question the British will want answered is what Mr Lu Ping, China's top official on Hong Kong matters, meant by his recent comments about the colony's future court of final appeal.

An attempt to establish such a court in Hong Kong before the 1997 handover to China has been an object of British and Hong Kong government policy since 1988.

Both these governments regard the early establishment of the court – which will replace the judicial committee of Britain's Privy Council – as vital to their aim of ensuring the continuity of the legal system in Hong Kong.

The court is at the top of the agenda for the London session of the Joint Liaison Group, a bilateral body set up in 1985 to handle the detailed implementation of the handover. China was given a copy of the draft bill for the creation of the court in May and the Hong Kong government has been anxious for Beijing's response.

Time is running out. The Hong Kong government, which had hoped to establish the court last year, wants to see it up and running by the summer of 1996. To meet this commencement date a bill will need to be introduced into the Legislative Council (LegCo), the colony's law making body, during February and passed by July.

At the weekend, Mr Lu doled out succour and woe in equal measure. He reassured Hong Kong officials by saying that China still stood by a 1991 agreement with the British and hoped it could be implemented.

This provided for the establishment of the court before 1997 and specified that only one of the court's five judges could come from a foreign common law jurisdiction.

But the remainder of Mr Lu's comments will have Mr Hugh Davies, the UK head of the JLG, pressing Mr Zhao Jihua, his Chinese counterpart, for clarification.

Mr Lu said that the judges appointed to the court would have to be reconfirmed by Hong Kong's post-1997 government.

This question over the judiciary's continuity would appear to run counter to Article 93 of the Basic Law – Hong Kong's post-1997 constitution – which states that judges appointed before the handover "may all remain in employment". Furthermore, under the 1991 deal, Britain conceded China's wish to restrict the number of foreign judges on the court in exchange for the court's early establishment and passage through 1997.

> 'I expect it is more in China's interest to have the court established after 1997 than before. Then they can have who they want on it.'

A senior Hong Kong official overseeing policy towards the court said Mr Lu might have been suggesting by his comments that the post-1997 government had to be seen to have authority – "it needs to make appointments".

He conceded, however, that in Beijing "there is tremendous touchiness about sovereignty" of which the remarks about judges may be just another example. "That's what we've got to get sorted out [in London] this week."

One western diplomat saw in Mr Lu's comments simply delaying tactics. "I expect it is more in China's interest to have the court established after 1997 than before. Then they can have who they want on it," he said.

The uncertainty generated by Mr Lu's comments is just one of the many problems facing the Hong Kong government. Its proposal for a court of final appeal has been opposed by the Hong Kong Bar Association and many members of LegCo. In 1991 LegCo voted down the Anglo-Chinese deal on the court, only weeks after it was secured, by a margin of 34 to 11.

The Law Society, which represents solicitors, has supported the government's initiative.

The opposition of the barristers and legislators turns on the nature of the 1991 Anglo-Chinese deal. They say it is in violation of the 1984 Joint Declaration and the Basic Law, both of which said the court "may as required invite judges from other common law jurisdictions" to sit on its benches.

The lawyers say the word "judges" meant more than one of the five could come from a foreign jurisdiction. The government denies this, adding that the 1991 agreement was an elaboration of the Joint Declaration and the Basic Law and so supersedes both.

Mr Ronny Wong QC, president of the Bar Association, will have none of this. "We see any violation of the Joint Declaration and Basic Law as fundamental," he said.

"We believe that the spirit of the Joint Declaration and the Basic Law was to allow flexibility and that it is opportunistic to accept the 1991 agreement," he said.

"Some cases may not need any overseas judges, such as New Territories land claims, whereas other cases, such as marine, may need more than one."

Mr Martin Lee's Democrats, the pro-democracy party in LegCo, has vowed to amend the government's bill and substitute the wording concerning local and foreign judges with the more acceptable text from the Basic Law. It has also won support from some of the pro-business Liberal party politicians.

Mr Lee believes that it is not in Hong Kong's interest to set up what he regards as a bad court. If the government's bill ever reaches LegCo he may prevail, at least until 1997.

See Editorial Comment

End of an era for electricity generation in US

Work to stop on last nuclear power plants

By George Graham in Washington

An era of nuclear energy will draw to a close in the US next year when the Tennessee Valley Authority, a government-owned electricity generator, halts work on the last three nuclear reactors under construction in the US.

The TVA announced yesterday that it would not complete a half-built reactor at Watts Bar in Tennessee, or two reactors at Bellefonte in Alabama, though it expects to start another virtually complete Watts Bar reactor next autumn, joining three reactors already in operation.

"We are still in the testing phase for Watts Bar 1. I believe that will be the last stand for this generation of nuclear power in the country," said Mr Craven Crowell, the TVA chairman.

The authority will decide next year what to do with the three reactors, one of which is 88 per cent complete.

Mr Crowell said that he had a duty at least to look for financial partners who might want to complete the reactors, though he thought it improbable that he would find any.

"I don't hold out great hope," he said. "It just costs too much to build a nuclear plant."

The partially completed plants could be converted, however, to another energy source such as natural gas.

The decision to halt construction was driven by the need to do something about the TVA's heavy debt burden, which now totals $26bn (£16.6bn). Perhaps $17bn of that can be attributed to the ambitious nuclear construction programme which the TVA began in 1966.

"One third of our operating costs goes towards paying interest on our debt, and the debt has been driven by nuclear construction," Mr Crowell said.

Under the new policy announced yesterday, the TVA will stop adding to its total debt no later than October 1997, and will maintain an internal debt cap about $2bn to $3bn below the ceiling of $30bn set by the US Congress.

Nuclear reactors are usually more expensive to build than fossil fuel electricity generation plants but they use less fuel. Even so, ever tighter safety standards have increased construction costs, and also have required utilities to spend more money on adding safety features to their existing reactors.

In addition to that, the federal government's inability to come up with a long-term storage site for highly radioactive nuclear waste has left nuclear generators wondering what to do with their spent fuel.

The nuclear energy industry, however, argues that advanced reactor designs can provide competitively priced electricity and are essential to the long-term US energy security.

Mr Crowell, however, says that the TVA cannot continue to pile up debt by pursuing an out-of-date nuclear policy, and must get its costs down in the shorter term, in preparation for deregulation of the electricity industry.

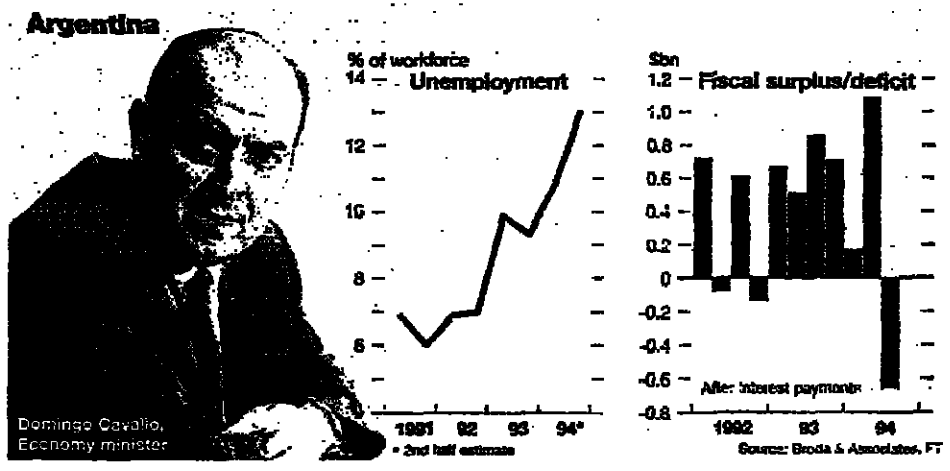
He believes that privatisation of the TVA is unlikely, nevertheless, because of its nuclear division.

Cavallo vows to fight budget battle

We will soon return to balance, Argentina's economy minister tells **David Pilling**

Argentina will overcome its temporary fiscal difficulties to produce balanced budgets both this year and in 1995, said Mr Domingo Cavallo, the economy minister.

Mr Cavallo, in an interview, hinted that foreign banks and investors had overreacted to "early warning signals" of a third-quarter deficit, provoked largely by "inertial increases" in social security spending. Stocks and bonds have been depressed since Mr Cavallo announced in October that there would be a deficit, while some international bankers have questioned Argentina's commitment to continued fiscal discipline.



Domingo Cavallo, Economy minister

"Far from being frightened, bankers should be happy to see that the economy minister will go into battle with the national Congress – with the absolute backing of the president – precisely in order to avoid future deficits," he said. "We have already taken action in 1994 and are pushing for legislative changes with a budgetary impact in 1995 so that deficits do not recur."

Mr Cavallo last month banned all new state spending for the rest of the year, with the aim of saving $1.3bn, and introduced legislation to limit further increases in social security spending, which already makes up nearly half the federal budget.

He is also pushing for broader powers to control Argentina's purse strings, entitling him to cut government jobs, merge state bodies and to sell off more state concerns without consulting Congress. Although congressmen have refused to discuss these proposals as part of the 1995 budget package, as Mr Cavallo had wanted, the measures will be re-introduced early next year and may even be forced through by presidential decree.

Mr Cavallo admitted, however, that two years of big budget surpluses, helped by the privatisation of most state assets, were probably over. "We are now resigned to having [merely] balanced budgets in both 1994 – which is about to end – and in 1995."

But, "that is to say, there will be no deficit". Argentina was "one of the few countries of the world that has fiscal equilibrium".

On the question of high unemployment, another potential concern for foreign investors and domestic voters alike, Mr Cavallo said he would not "dare to make predictions". Many economists believe that the jobless rate, which may be as high as 13 per cent, could creep up further as companies intensify efforts to become more productive.

Mr Cavallo said that reforms of Argentina's antiquated and inflexible labour laws were vital if structural unemployment were to be defeated. Although jobs were being created at an annual rate of 1.3 to 1.5 per cent, the number of job seekers – swelled largely by immigrants and women joining the labour force, according to Mr Cavallo – had risen at more than double that pace.

The problem "is clearly not lack of growth" given that the economy had expanded by 33 per cent since 1990. But, during this time, the job pool had only grown by 5.5 per cent because small and medium companies – which in normal circumstances rely more heavily on labour – "have been discouraged from creating new jobs because of the complexity... and high costs associated with labour norms".

Legislation to make labour more "flexible" would be passed in relation to companies with fewer than 50 workers and later extended to the whole labour market, he said. Reforms would seek to make hiring and firing easier, to reduce the role of collective bargaining and to amend legislation on compensation for accidents at work, which the government says is open to abuse.

Reforms were part of a three-pronged approach that would also include an intensification of job retraining, especially for youth, and the launch of labour-intensive public works programmes. To fund these, the government would advance with cost-cutting state reforms at federal, provincial and municipal level, he said.

"You have to bear in mind that these reforms may themselves lead to job cuts. Therefore, it is probable that this strategy will achieve a change in the structure of employment in favour of more jobs in the productive sector," he said.

But Mr Cavallo said training and public works programmes could not of themselves tackle the root causes of unemployment. To achieve this, Congress would have to amend labour laws, he said. "However much training and retraining we do, if labour reforms are not passed – at least for small and medium companies – then it will be difficult for employment to grow vigorously."

US Supreme Court rules against IBM on upgrades

By George Graham in Washington

IBM yesterday lost another round in its nine-year battle against an anti-trust law suit brought by a competitor in the US market for overhauling and upgrading mainframe computers.

The US Supreme Court refused to review a decision by the federal appeals court in Philadelphia that overturned an earlier verdict in IBM's favour and ordered a new trial of the anti-trust case.

The suit was brought against IBM by Allen-Myland, which claimed that IBM had abused its dominant position in the market by manipulating the price of parts and in effect illegally tying customers to using its own upgrading services.

Allen-Myland said that this shut it out of the upgrade market, which at times in the 1970s was as large as the market for new mainframes. Allen-Myland at one point accounted for half the upgrades performed on IBM mainframes.

The Philadelphia appeals court overturned the lower court ruling in IBM's favour on the grounds that the judge had erred in his definition of the size of the market in which Allen-Myland claimed IBM was holding a dominant position.

The new decision could have ramifications for IBM's efforts to escape from the terms of a consent decree which it negotiated in 1956 with President Eisenhower's Justice Department. This required IBM to stop offering its computers for lease only, rather than outright sale, and to separate its service business from its manufacturing.

Although IBM is clearly no longer dominant in the broadest definition of the US computer market (it slipped this year to fourth place in sales of personal computers), the issue of whether it still dominates the mainframe market could depend on a precise definition of that market.

Cardoso backed by main party

By Angus Foster in Brasilia

Mr Fernando Henrique Cardoso (pictured left), who is set to take office as Brazilian president on January 1, yesterday won the backing of the country's largest political party, the left-of-centre Democratic Movement party (PMDB).

The PMDB's support, which was formally pledged during a meeting with the party president, Mr Luiz Henrique, should help Mr Cardoso to build a big enough coalition, in the Congress due to take office next month, to make several constitutional changes next year, aimed at modernising the economy.

The PMDB holds about 125 seats in the 514-member Congress. If these are added to the 210 seats held by the alliance which elected Mr Cardoso, he looks able to count on the necessary three-fifths support needed to change the constitution.

According to most analysts, changes are urgently needed in the tax and social security systems in order to keep the government's budget in balance and to underpin Brazil's latest anti-inflation currency, the Real.

Mr Cardoso was a member of the PMDB until five years ago, when he left to help found the Social Democratic party (PSDB). This old link, and the fact the two parties share similar views in areas such as social policy, meant Mr Cardoso's advisers were always hopeful of gaining the PMDB's support.

However, a powerful wing of the party, controlled by a failed presidential candidate, Mr Orestes Quércia, remains opposed to Mr Cardoso. Although PMDB leaders said they would back the new president on most matters, Mr Quércia's group and some northern deputies are expected to abstain or try to block Mr Cardoso's reforms.

In return for its support, the PMDB is expected to be given a say on economic matters, although any advice may not be heeded by the economic team built up by Mr Cardoso when he was finance minister earlier in the present administration.

The PMDB is also likely to be given one or two ministries. Most likely is that of justice, for which the PMDB deputy, Mr Nelson Jobim, is favourite.

He oversaw the unsuccessful attempt to change the constitution earlier this year and is widely respected in Congress for his legal knowledge.

Mr Jobim decided not to run for re-election to the Congress elected in October and November, and he is thought to be Mr Cardoso's choice.

Labour organisation spells out move towards union practices across continental Europe

Radical plan for employees' legal rights

By Robert Taylor, Employment Editor

A radical plan for a new system of employee rights involving the creation of workplace committees at British companies employing more than 100 workers has been drawn up by the Trades Union Congress, the UK's employees organisation.

Union leaders believe the blueprint, representing a sharp break in TUC attitudes towards labour law, is likely to win the backing of Labour leader Mr Tony Blair, and could form the basis for a new industrial-relations framework promised by the party if it wins the next election.

Drafted by a TUC task group chaired by Mr Bill Morris, the TGWU general secretary, it will be presented tomorrow to the TUC's executive committee which is expected to approve it.

The move towards continental European practices follows a visit to Norway, Sweden and Germany last month by union leaders led by Mr Morris.

In the past the TUC has been mainly concerned that only workers belonging to trade unions could enjoy full legal representation and it opposed over-regulation in workplace organisation. It relied on voluntary agreement through bargaining between employers and unions.

Unions will be asked for their views on the proposals, which will be discussed at a special TUC conference on March 2. Each union will have to decide its position at its summer conference. Leaders hope the changes can be agreed at next autumn's Trades Union Congress.

The task group's proposals appear to have united union leaders from the left and right. They include:

- The legal right to workplace representation for all employees, through an independent trade union or workplace committee, and the right to elect such a committee.
- The establishment of elected negotiating bodies responsible for creating, if possible through agreement with employers, the new workplace committees. If employers refuse to co-operate, the law would provide a back-up election procedure compelling workplace representation.
- A legal obligation on employers to consult employees – not just union members – on issues such as redundancies, equal opportunities, training, hours, new work or production methods.
- Companies would also have to inform employees over corporate strategy, financial matters, production, sales and employment and any restructuring plans.
- The introduction of legal protection for union members and officials against employer victimisation. Employer blacklists of workers would be outlawed. Safeguards would prevent discrimination against an individual for previous union activities.
- The creation of new trade union legal rights, including the calling of meetings in the workplace and provision of outside officials to recruit and campaign inside companies.
- Employers would be required to provide facilities for workplace representatives and give time off for duties.
- A public agency to enforce the legislation and backed by a legally enforceable code of practice.

Signs grow of inflationary pressure

By Philip Coggan, Economics Correspondent

Further signs of inflationary pressure were revealed yesterday, with figures showing that UK manufacturers are increasing prices at the factory gate, while raw materials costs are rising at their fastest rate for 18 months.

The core measure of the output prices of manufacturers, which excludes volatile goods such as food, beverages, tobacco and petroleum, rose by a seasonally adjusted 0.4 per cent between October and November.

Over the 12 months to November, the annual rise in the core measure of output prices was 2.6 per cent, according to the Central Statistical Office.

But the pace of growth is accelerating. Prices in the three months to November were 4 per cent higher, on an annualised basis, than in the previous three months.

Analysts saw the strength of yesterday's producer price figures as evidence that the Chancellor was right to sanction a half percentage point increase in base rates last week. But it was not yet clear whether higher producer prices would be passed on to consumers in the high street.

Mr Adam Cole, UK economist at James Capel, pointed out that low wage growth, combined with strong productivity, was offsetting rising commodity prices. "Manufacturers' overall cost bill is broadly flat" he said, saying that factory gate price rises were thus designed to improve margins. With consumers reluctant to pay higher prices, the result was that "retail margins are clearly getting squeezed very heavily" he added.

The overall level of output prices rose by an unadjusted 0.1 per cent between October and November, for an annual rise of 2.4 per cent. There were particularly sharp jumps in the prices of pulp and paper products, chemicals and in paper and plastic products.

Meanwhile, manufacturers' raw material costs are rising even faster than factory gate prices. Input prices rose by a unadjusted 2.4 per cent between October and November, for an annual rise of 7.9 per cent, up from 6.9 per cent in October. This was the highest annual rate since March 1993.

The main component in the unadjusted rise was the winter increase in the price of electricity; the seasonally adjusted index rose by just 0.7 per cent on the month, for an 8.1 per cent annual increase. But higher milk prices also played a part, contributing 0.4 percentage points of the monthly rise.

Over the year to November, the prices of many commodities rose substantially, with coffee more than doubling and copper and pulp and paper rising by 50 per cent.

- UK house sales in November fell 10.3 per cent compared with October but are virtually unchanged over November last year, according to a survey of 4,000 estate agency offices.

The figures, published by the Ombudsman for Corporate Estate Agents and covering about half of all offices, confirm that the housing market recovery of the summer fell away during the autumn with activity stabilising at around the same level as 1993.

The UK Treasury is hoping to improve the system of negotiating the annual public expenditure round by stepping up early contacts between it and the spending ministries, Mr Jonathan Aitken, Treasury chief secretary, said yesterday, Peter Norman writes.

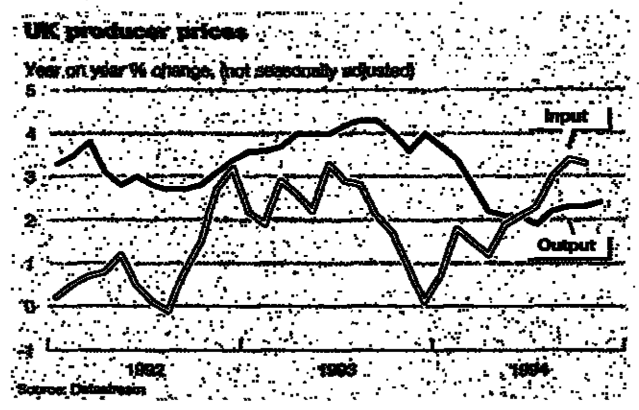
He told the cross-party Commons Treasury and civil service committee that negotiations, particularly in the preliminary stages were rather like a "choreographed Victorian minuet" with some meetings "a bit like those between North Korea and South Korea".

He said it would be more helpful if there was more of a dialogue between ministers and officials from the Treasury and spending ministers and their officials before the round begins in earnest in September.

He said he hoped to introduce "away days or listening days" for ministers and officials from both sides so that the Victorian minuet could be more of a two-way process.

UK producer prices

Year on year % change, (not seasonally adjusted)



Source: Datastream

Sinn Fein blow to Belfast meeting

By Jimmy Burns and David Owen

Sinn Fein, the political wing of the IRA, last night announced it was boycotting the international business conference, after claiming that its proposed delegates were being treated as "second class citizens".

The move could disrupt the conference as some delegates from the US have threatened to withdraw their participation if Sinn Fein does not attend.

With US delegates yesterday already on their way to Belfast for the conference, it was not clear what position they would take before it is officially opened tonight.

Sinn Fein last signalled its intention to surround the conference in political controversy by saying that it planned to organise a lobby of overseas delegates.

Under pressure from the US, the British government last week agreed that six Sinn Fein councillors could attend the conference. But last night Sinn Fein said the councillors had not been invited as members of the party and that its demands for equal status with other politicians had been rejected by the government.

Mr Graham Gudgin, a leading Northern Ireland economist, warned last night that politics was threatening to undermine the success of the conference. "Things are becoming very messy," he said.

The government's handling of the conference was yesterday criticised by the Labour party as it launched proposals for economic regeneration in the province.

Speaking on the eve of the two-day event, Ms Marjorie Mowlam, shadow Northern Ireland secretary, said she thought there had been "a lack of clarity of thought" about the conference.

The party's 13-page document calls for a range of measures to regenerate Ulster's economy including a strategy for redirecting public expenditure towards investment.

The Northern Ireland Office budget should not be cut "simply because resources are available from international sources", the document says. All international aid "is and must continue to be treated as additional to, and not a substitute for, public expenditure".

The paper advocates a package of measures for small businesses, including the establishment of a Business Development Bank to raise private finance for investment in the sector.

Wide interest in purchase of rail companies

By Charles Batchelor, Transport Correspondent

Eighty organisations in the fields of banking, leasing and railway equipment manufacture have shown an interest in the three rolling stock leasing companies set up under rail privatisation.

Hambros Bank, the British government's adviser on the sale of the rolling stock companies, said it had approached more than 300 companies in Europe, north America and the Far East about acquiring a stake in the rolling stock companies. Eighty had attended or asked to attend a detailed presentation.

Under the government's plans for the privatisation of British Rail, ownership of BR's 11,000 locomotives and carriages has been transferred to three companies which will lease them to the train operators. The leasing companies will be responsible for maintaining rolling stock and are also expected to order new equipment on behalf of the train operators.

Hambros, which began marketing the rolling stock companies at the end of October, said it had received unprompted enquiries from around the world from companies interested in the sale.

Prospective bidders will be expected to pre-qualify in February/March and the first round of bids will be invited in the summer of 1995. Hambros expects to ask for final bids in late summer or early autumn with the sales to be completed by the end of 1995.

Hambros believes it has devised a method of calculating the value of existing rolling stock which will allow it to be leased at acceptable rates to the train operators. South West Trains, however, has calculated that leasing new rolling stock would cost £250,000 more a year than using existing stock, a sum it could not recover through higher fares.

The three rolling stock leasing companies will have a combined annual income of £800m for the first four years declining to just under £600m in year eight under the leases which have been negotiated with train operators.

Hambros believes this guaranteed income will prove attractive to investors. The potential value of the three companies is between £2.5bn-£3.5bn although bidders would not be allowed to acquire more than one company.

Bidders could use a rolling stock company to acquire a foothold in the UK leasing market, expanding into other leasing sectors later, or to expand into the developing European rolling stock leasing market, Hambros said.

Major faces Eurosceptic rebellion on fishing policy

By James Blitz

Mr John Major's government risks a further defeat in the House of Commons this week, amid signs that Tory Euro-rebels are preparing to challenge the UK's fisheries policy.

Several Tory MPs said yesterday that they could vote against the government in a debate over plans to extend fishing rights to Spanish and Portuguese trawlers in the Irish sea.

The issue is expected to come up in a general debate tomorrow on the government's agriculture policy. The Labour party has put down an amendment saying that Britain should not give access to Iberian fishermen to enter an area to the west of the UK coastline, called "the Irish box".

However, the amendment runs counter to the UK's expected negotiating position at a forthcoming European fisheries council. Mr William Waldegrave, the agriculture minister, is expected to concede at the meeting that Iberian trawlers should be given access to the area while strengthening the rights and protection of British and Irish trawlers.

Two Tory MPs who were deprived of the party whip a fortnight ago admitted yesterday that they could vote with Labour on the issue. Mr Christopher Gill, a member of the Commons agriculture select committee, said his "general feeling" was that the fishermen had a very strong case. He said there was "a prospect" that he would not support the government on Wednesday."

It is also understood that Mrs Teresa Gorman, the Tory MP for Billericay, could vote against the government.

In the Commons, Sir Teddy Taylor, the MP for Southend, expressed fears that the Spanish government had won the new rights in "behind-the-scenes" talks at the European Council meeting in Essen at the weekend. The prime minister said rumours of a victory by the Spanish government on the issue were not true.

Mr David Harris, the MP for St Ives in Cornwall and a loyal supporter of the government, has also expressed concern about the impact on fishing fleets in his constituency.

He admitted yesterday that there may be little the government can do, as the issue will be decided by a majority vote of EU member states. A government defeat would not be of the same order of magnitude as the one on VAT on fuel last week, because tomorrow's motion has no statutory force.

UK NEWS DIGEST

Bank of England to monitor banks' risk on securities

The Bank of England has established a specialist supervisory team to assess individual banks' ability to monitor how much risk they take on in their securities business.

The team, set up in August, will not be making formal assessment visits until next January, but it has been making "prototype visits" to examine the extent to which banks monitor their own risks.

"Our overall impression is that the standards of risk management are satisfactory but we need to look at them very carefully," a Bank official said.

Longer term, those banks with inadequate models will not be allowed to carry on securities business until their risk-measurement and monitoring are improved.

The unit will be looking at the models banks use to measure how the value of their securities holdings will move with other market movements such as interest rates.

The creation of the new unit was prompted by the advent of the Capital Adequacy Directive, an EU directive intended to standardize the capital requirements which banking and securities institutions must hold in respect of the risks they take on. For the first time, UK banks will have to hold capital in respect of so-called "market risks", the risks that the value of securities they hold will fall or rise sharply in line with interest rates. Until now, the Bank of England has been concerned mostly with "counterparty risk", the risk that a debtor will not repay on time, and with the risk inherent in foreign exchange positions.

Cyprus attorney general to rule on Nadir tax plan

The attorney general of northern Cyprus is to rule on the legality of a proposal put forward by fugitive businessman Asil Nadir to turn over a fruit packaging business to the breakaway republic in lieu of tax debts.

Nadir has offered to give the Sunzest company to the government in a continuing row over unpaid taxes which are understood to amount to $10m. The administrators of Polly Peck International say Nadir has no authority to dispose of Sunzest and are anxious to be a party to any agreement to use the assets to cancel debts.

The northern Cyprus deputy prime minister Mr Ozker Ozgur said yesterday: "Nadir says he has the authority from the shareholders to do this, but the (PPI administrators) claiming to represent the shareholders claim differently. So we will ask the attorney general if Nadir has the right to do this."

Rival claims in post strike

Briatin's Post Office managers and the postal workers' union clashed last night about the impact of yesterday's 24-hour strike, which shut more than 100 main offices.

Managers said the walkout was a complete flop, claiming only 800 workers joined in. However, the Union of Communication Workers said the reponse was tremendous and accused the Post Office of using managers and casual workers to cover for strikers.

The strike was in protest at the closure of hundreds of main offices since 1989 and their transfer to franchised stores or supermarkets.

The union said it had overwhelming public support for the strike and for the campaign to halt closures.

Collections and deliveries of Christmas post were not hit by the industrial action, which the union is threatening to repeat in the new year.

Michael denied swift appeal

Singer George Michael yesterday suffered a further blow in his legal battle to free himself of his contract with record company Sony.

The 30-year-old singer had applied for a speedy Court of Appeal hearing of his appeal against Mr Justice Jonathan Parker's ruling in June that he should stand by the contract he signed with Sony in 1988.

But the Master of the Rolls, Sir Thomas Bingham, said yesterday Mr Michael's lawyers had "failed to come anywhere close" to showing that his case had the urgency required to enable him to jump the long queue of other pending appeals.

Sir Thomas, sitting with Lord Justice Hoffman and Lord Justice Waite, said Mr Michael must wait until February 1996 before the courts would hear the latest round of his multi-million pound action.

Vikings halt whale burial

The burial of 11 whales, which died after being stranded on the island of Orkney off the Scottish coast today has been postponed because the chosen site turned out to be a Viking settlement.

Environmental health officers will travel to the north island of Sanday today to find another location for the disposal of the 11 sperm whale carcasses, each weighing around 50 tonnes.

Watchdog vacancy a competition headache

Robert Rice on the likely candidates to head the Office of Fair Trading

Names in the frame: among the individuals who have been tipped as possible successors to Britain's fair trading chief Sir Bryan Carsberg are (from left): Donald Cruickshank, Clare Spottiswoode, John Swift, Sheila Masters, Ian Byatt, and Stephen Littlechild

Given the preference for industrial policy over competition policy expressed by Mr Michael Heseltine, trade and industry secretary, finding a successor to Sir Bryan Carsberg as chief of the UK's competition watchdog will not be easy.

As one economic consultant put it last week: "It's a bit like trying to appoint a bishop when the archbishop doesn't believe in God."

Many observers feel that Sir Bryan's consumerist approach to competition policy as head of the Office of Fair Trading set him on a collision course with Mr Heseltine. Ultimately their difference of approach made his position untenable.

His successor must live with the knowledge that Sir Bryan found the lack of any real power too frustrating. Few will relish the prospect of ploughing the same barren furrow.

In the light of Sir Bryan's experience the qualities required for the job are also not easy to define.

Sir Gordon Borrie, Sir Bryan's predecessor who served 16 years at the OFT, listed independence as the chief quality required. He highlighted the need for a questioning mind, the ability to make a strong case – to the public, the Department of Trade and Industry or the Monopolies and Mergers Commission – and leadership qualities.

The DTI's hint that it would be looking for someone with regulatory experience puts the utility regulators in the frame. Ms Clare Spottiswoode at gas, Mr Donald Cruickshank at telecommunications and Mr John Swift at rail are all relatively new to their jobs and most observers think they are unlikely candidates. That leaves Professor Stephen Littlechild, the electricity regulator, and Mr Ian Byatt, at water.

Prof Littlechild, a former economics professor at Birmingham University, has served on the MMC where he was extremely non-interventionist. This might appeal to Mr Heseltine, but his appointment would cause an uproar among the consumer lobby which might prove politically unpalatable for the government.

Mr Byatt is seen by many as a safer bet. As a former civil servant – he was deputy chief economic adviser at the Treasury – he is used to the Whitehall machine. If it is accepted that the director-general's job is less "independent" under Mr Heseltine than in the past, he might be the ideal candidate.

But his appointment would also anger the consumer lobby, which feels he was too soft on the water companies and their shareholders in the recent water prices review.

Of the accountants and lawyers who might be suitable the name of Ms Sheila Masters, a partner at KPMG Peat Marwick, crops up frequently. She has advised the Treasury on privatisation and between 1988-1991 she was seconded to the department of Health as director of finance of the NHS Management Executive.

Among lawyers, Prof Richard Whish's name is mentioned by several observers as a possible candidate. A partner of City solicitors Watson Farley & Williams, he is the author of a standard competition law textbook and highly regarded.

Numerous economists are suggested, but three names stand out – Mr Derek Morris, the macro-economist in charge of Oxford economic forecasting and a former MMC member; Prof Martin Cave, dean of the faculty of social sciences at Brunel University, who is seen as one of the great privatisation gurus; and Professor John Kay, head of the centre for business strategy at the London Business School.

In many ways Prof Kay seems the ideal candidate – a highly respected micro-economist who was director of the Institute for Fiscal Studies for seven years before leaving to set up the centre for business strategy in 1986.

The main question mark over his candidature is whether he could be persuaded to do the job.

It is widely believed that he was offered it three years ago, before Sir Bryan, but that he turned it down because he could not persuade the government to give the OFT greater independence with next steps agency status.

If the government is keen to demonstrate the OFT's independence rather than just paying lip service to it, Mr Heseltine could do worse than give it agency status and appoint Prof Kay.

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TECHNOLOGY

The search for what causes cancer has thrown up hundreds of suspects, from smoking to driving. In the second of a six-part series, Clive Cookson and Daniel Green look at ways of preventing the disease.

IN THIS SERIES:

NOVEMBER 29
Introduction.
The growing toll of cancer worldwide. Why the disease is responding better to treatment in the young. The worldwide market for cancer drugs. Who is spending what on research.

JANUARY
Diagnosis and screening. Genetic susceptibility. Scans. Identifying cancer markers in the blood. Politics and economics of screening.

FEBRUARY
Chemotherapy.
Drugs to kill rapidly dividing cancer cells. Reducing multi-drug resistance. Anti-nausea drugs and other ways of reducing side effects. Hormone-based treatments. Photodynamic therapy. Herbal and alternative remedies.

MARCH
Radiotherapy.
X-rays. Gamma rays. Neutron beams. Heavy ions.
Magic bullets.
Antibodies and fusion toxins aimed at cancer cells.

APRIL
Genetic treatment and other biotech approaches. Gene therapy and anti-sense. Cell migration and adhesion. Apoptosis and cell suicide.
Immunostimulants.
Cell growth factors. Interferons and interleukins.

The weapons of a killer

Advice for avoiding cancer: Don't smoke. Hide from the sun. Eat fruit and vegetables. Join the upper classes. Employ a chauffeur and don't look out of the car window.

Epidemiologists estimate that 75-80 per cent of all cancers are in theory preventable, in the sense that they are triggered by features of the individual's lifestyle and environment. The problem, of course, is identifying the avoidable risks.

A few are well known and easy to act on; much the most obvious example is smoking. Most risks, however, are less well defined and harder to avoid. For instance, cancer as a whole is more common – and more likely to be fatal – among the "lower" social classes. This is true even when the statistics are adjusted to take account of all known risk factors such as smoking, diet and access to health care.

Researchers are coming to the conclusion that there is something intrinsically unhealthy about being near the bottom of the social pecking order, even if you follow the rules for healthy living. Sally Macintyre, director of the Medical Research Council's Medical Sociology Unit in Glasgow, says the mechanism of this effect is far from clear, though it appears that "repeated psycho-social stress" somehow depresses the immune system.

Hundreds of different risk factors have been suggested for cancer – some of them an inextricable part of modern life. For example, Australian research has shown a statistical correlation between driving and cancer. The theory is that the brain responds to moving surroundings by priming the body chemically for movement that never takes place; the resulting chemical imbalance may trigger cancers.

More concern has been expressed about man-made hormones, particular in the contraceptive pill. Clinical studies involving tens of thousands of women have shown no general increase in cancer among long-term pill users, though some groups may be at slightly greater risk of developing breast or cervical cancer.

But epidemiologists say people should not be too concerned about minor or speculative causes of cancer, when smoking and poor diet are so much more important.

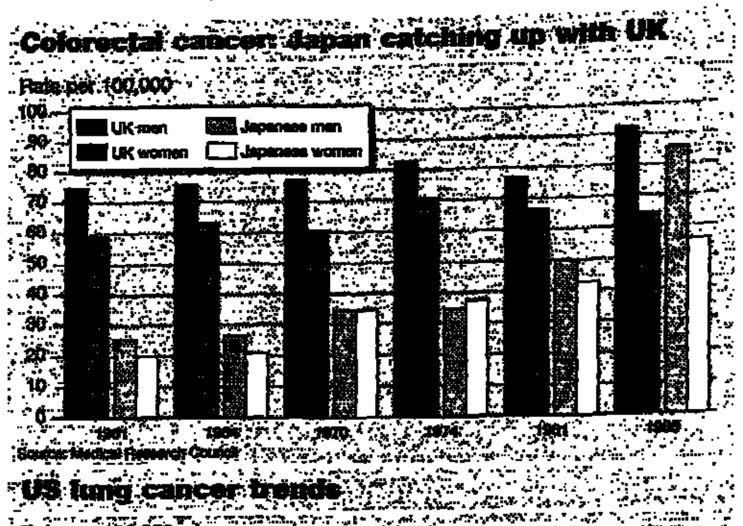
"One of the biggest myths in recent years is that there is a cancer epidemic caused by exposure to radiation, pollution, pesticides and food additives," says Sir Richard Doll of the Imperial Cancer Research Fund's cancer studies unit in Oxford. "The truth is that these factors have very little to do with the majority of cancers in this country."

Epidemiologists are confident that tobacco is implicated in about 30 per cent of cancer deaths in Europe and North America. They are far less sure about the effect of food and drink; a typical estimate is that diet is involved in 35 per cent of cancer deaths.

Because there can be a delay of several decades between starting to smoke and the onset of disease, the big rise in lung cancer did not begin until the 1940s among men and the 1970s among women (see chart). The male lung cancer rate is falling in countries such as the US and UK where large numbers of men gave up smoking in the 1960s and 1970s, but it is rising throughout the developing world. Female lung cancer rates are increasing everywhere.

Although lung cancer is the most obvious effect of smoking, 12 other cancers are linked to the habit, as well as cardiovascular and other diseases. However, if an individual smoker gives up before becoming ill, he or she can avoid most of the risk of dying from tobacco. Ten years after stopping, half of the smoker's additional cancer risk will have disappeared.

In contrast to smoking and lung cancer, there is no cancer epidemic clearly linked to changing diet. On the contrary, the most striking trend is the long-term decline in stomach cancer in Europe and North America – a fall widely attributed to modern methods of food preservation and storage which prevent the formation of carcinogenic decay products.



Although colo-rectal cancer rates have remained steady for several decades in the west, those in Japan have risen rapidly to European levels – probably because the Japanese diet has become westernised with more meat and fat eaten.

Epidemiologists say there is overwhelming evidence that a diet rich in fruit and vegetables reduces the risk of cancer. But they do not know how the protective effect works.

A favourite scientific theory is that anti-oxidant nutrients, such as vitamins E and C and beta-carotene, play a protective role by scavenging "free radicals" which can damage a cell's genetic material. Food supplements containing these nutrients have become very popular as a result, although there is not yet conclusive clinical evidence to prove their effectiveness.

The next stage, according to speakers at the UK Biochemical Society Conference this week, will be genetic engineering of crops to make more of these protective nutrients. Catherine Rice-Evans, a biochemistry professor at Guy's Hospital, London, predicts: "The introduction of plants that have been manipulated to produce more effective anti-oxidants should be possible within five years."

CC

Drugs to tackle infections

Some microscopic bacteria and viruses are carcinogenic. Infections may account for 10-15 per cent of all cancers, according to epidemiologists at the Imperial Cancer Research Fund.

Five kinds of germ have been identified as possible cancer triggers:

- Helicobacter pylori is a bacterium which survives in the stomach. It irritates the stomach lining which may respond with ulcers or cancer.
- Epstein-Barr virus is associated with Burkitt's lymphoma and naso-pharyngeal carcinoma, cancers more common in central Africa and China respectively than in the west. EBV may be linked to cancer in people with suppressed immune systems, perhaps after an organ transplant.
- Human Papilloma virus (HPV) causes genital warts. Some sub-types have been linked to cervical and vaginal cancers.
- Hepatitis B virus (HBV) survives for long periods in about 10 per cent of the population, who are then at increased risk from liver disease, including cancer.
- Human T-cell Lymphotropic viruses (HTLV) have been implicated in leukaemia in some populations such as Japan.

In principle, antibiotics and vaccines can beat these infections.

There are several hepatitis B vaccines on the market. Biotechnology companies, including Isis in the US and Cantab in the UK, and the UK's Cancer Research Campaign, are developing better HBV vaccines. The CRC says its vaccine might even help patients already with cancer. Work is being done too on broad spectrum antiviral drugs. California's Gilead has a material which shows promise against EBV and HPV. And an industry is growing up around H pylori. Diagnostics companies are launching saliva tests to replace blood or tissue analysis, and Swedish drug company Astra this year won UK approval for an antibiotic-based ulcer treatment.

DG

Cancer risks from radiation exposure

Radiation is responsible for about 3 per cent of cancer deaths. The vast majority result from natural sources: radon gas in the air; radioactive minerals in rocks and soil; cosmic rays from outer space; and ultraviolet radiation from the sun.

Exposure to man-made radiation has fallen substantially over the past 30 years – mainly because regulatory authorities have responded to scientists such as Alice Stewart of Birmingham University, who showed that the risks of low-level radiation were greater than anyone realised during the golden dawn of the nuclear age in the 1940s and 1950s.

Medical X-rays deliver far smaller doses than they used to, and the nuclear industry has cut the radiation exposure of its own workforce and of the general public through discharges into the environment.

Now, natural radiation is becoming increasingly controversial. The most significant natural source is a radon, a radioactive gas that occurs at elevated levels in some parts of the world (such Devon and Cornwall in England and the Applachian Mountains in the US).

On the basis of studies of uranium miners exposed to very high radon levels, the US Environmental Protection Agency and UK National Radiological Protection Board have estimated that indoor radon is responsible for about 14,000 lung cancer deaths a year in the US and 2,000 in the UK – making radon the main cause of lung cancer after smoking. They are therefore running expensive campaigns to identify houses with highest radon levels and alter their foundations and floors to keep the gas out. But some critics dispute the evidence that domestic radon is causing so much cancer.

The ultraviolet rays that beat down on us from the sun have a quite different effect on the body. Whereas the "ionising radiation" from radioactive materials causes internal cancers, the sun's impact is on the skin. Cases of melanoma, the most serious form of skin cancer, are currently increasing by about 4 per cent a year in Europe and north America – a direct consequence of the growing popularity of sunbathing and outdoor pursuits.

CC

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MANAGEMENT: THE GROWING BUSINESS

—In a— Nutshell

Italian investment in Yorkshire company

The Italians are coming to Pudsey, West Yorkshire. A new joint venture between two of Italy's oldest families – Benetton and Bonomi – has made its first development capital investment in the glass bottle mould manufacturer, Johnson Radley.

The £13.5m deal, mainly funded by Charterhouse Development Capital, will be the first move for the new venture, called 21 Invest, according to Andrea Bonomi, who will be its managing director.

Bonomi says the two families will each invest about £10m in deals over the next two years through 21 Invest. He says the group will try to differentiate itself from some other private equity investors by helping companies to grow and will not simply make financial investments.

In the case of the first deal, Johnson Radley will be able to invest in new capacity to overcome current constraints on production. The company already has about half the UK market and exports half its £15m turnover.

21 Invest pipped local venture capital houses to the Johnson Radley deal after making contact through the packaging interests of Invest, the Bonomi family investment company.

Customs goes behind frontiers

The UK's Customs and Excise is introducing a new procedure aimed at streamlining imports and export procedures.

Instead of checking for fiscal and regulatory matters at frontiers, Customs officers will move surveillance to importers' and exporters' premises, which will be visited sporadically.

This, Customs and Excise says, will save time for traders who develop a record of complying with the filing requirements. The first companies to be covered by the new system will be included in a pilot system to be introduced in 1996.

Uncertain road

Richard Gourlay on the rare case of a company that sought protection by calling in the administrator

This time last year Paddy Hopkirk was on a roll. His Bedfordshire company, which makes cycle racks and other car accessories, was expecting big new orders from Germany. He was introducing new Japanese production techniques that invigorated his workforce and led to productivity improvements. And after some loss-making years, the former Monte Carlo rally driver felt his company was back on the road.

That optimism has now evaporated. Last month, Paddy Hopkirk Ltd received court approval for the appointment of administrators. As sales failed to materialise and overheads ballooned, the company faced a cash crisis and the prospect that the directors risked trading while insolvent.

"You do not take this decision lightly," says Hopkirk, the majority shareholder, who having injected fresh equity in recent years this time was advised not to provide his personal guarantee.

"But it is the only way of protecting the business."

The administrators, Leonard Curtis, say the core business is sound. They say they are confident that potential investors from continental Europe might want to buy the Paddy Hopkirk name and manufacturing base as a cheap way into the UK car accessory market.

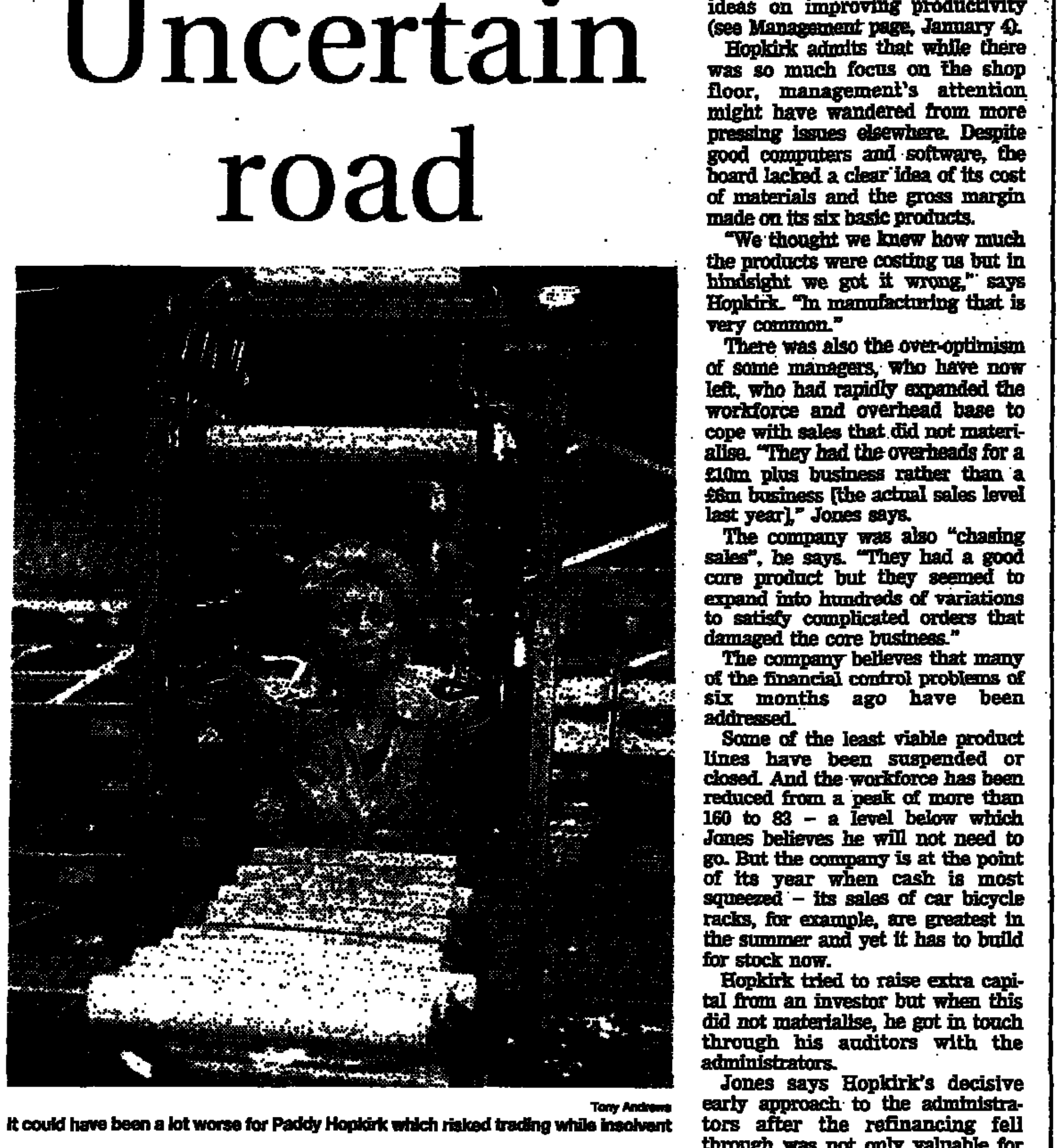
But as potential buyers troop around the factory in front of a worried workforce, this relatively happy outcome is far from certain.

It could have been a lot worse. It is still rare for insolvent companies to go into administration, the UK procedure that accountants say provides most protection for a business while it tries to agree restructuring or an arrangement with creditors.

So far this year about 20,000 companies have gone directly into liquidation, many of them small companies with few assets worth retrieving. Only about 2,000 companies have gone into receivership and there have been fewer than 200 appointments of administrators, according to figures compiled from the DTI and accounting firms.

What is more, it is almost impossible to enter a Company Voluntary Arrangement (CVA), which also confers protection on the business's assets, without going through the expensive procedure of applying to a court for administration first.

Figures like these and the failure of CVAs to live up to expectations since they were introduced in 1986, have prompted the Department of Trade and Industry to improve insolvency procedures and encourage what the chancellor called a "rescue culture" in his November Budget. The government plans to introduce a 28-day moratorium for all parties to allow insolvent companies time to reach voluntary arrangements with creditors.



Tony Andrews

It could have been a lot worse for Paddy Hopkirk which risked trading while insolvent

The government's case – challenged by some in the insolvency profession – is that too many businesses are closed by their creditors before all rescue options have been explored. This debate gives the Paddy Hopkirk administration significance beyond the question of whether its business can be saved. The 28-day moratorium could work as a similar, but cheaper version of administration.

The attitude of the banks will remain crucial. Hopkirk's bank, Northern Bank of Northern Ireland, had fixed and floating charges over the company's assets. It was therefore in a position to put the company directly into receivership.

Jeff Jones, the administrator for Leonard Curtis, says the bank chose to accept his firm's plan for administration, acting with a degree of integrity sometimes not shown by creditor banks.

The problems at Hopkirk may be familiar to a large number of companies that have not tipped over the edge into insolvency. The company had focused considerable management time on improving the productivity of its manufacturing processes. Late last year it had called in the services of consultants from the Kaizen Institute who were trying to introduce ideas of continuous improvement and the notion that the workforce is the best source of ideas on improving productivity (see Management page, January 4).

Hopkirk admits that while there was so much focus on the shop floor, management's attention might have wandered from more pressing issues elsewhere. Despite good computers and software, the board lacked a clear idea of its cost of materials and the gross margin made on its six basic products.

"We thought we knew how much the products were costing us but in hindsight we got it wrong," says Hopkirk. "In manufacturing that is very common."

There was also the over-optimism of some managers, who have now left, who had rapidly expanded the workforce and overhead base to cope with sales that did not materialise. "They had the overheads for a £10m plus business rather than a £6m business [the actual sales level last year]," Jones says.

The company was also "chasing sales", he says. "They had a good core product but they seemed to expand into hundreds of variations to satisfy complicated orders that damaged the core business."

The company believes that many of the financial control problems of six months ago have been addressed.

Some of the least viable product lines have been suspended or closed. And the workforce has been reduced from a peak of more than 160 to 83 – a level below which Jones believes he will not need to go. But the company is at the point of its year when cash is most squeezed – its sales of car bicycle racks, for example, are greatest in the summer and yet it has to build for stock now.

Hopkirk tried to raise extra capital from an investor but when this did not materialise, he got in touch through his auditors with the administrators.

Jones says Hopkirk's decisive early approach to the administrators after the refinancing fell through was not only valuable for the business but also unusual.

"We were introduced to the business at a sufficiently early stage that allowed steps to be taken to secure the business to give it an opportunity to protect its future," says Jones.

That future remains as uncertain as the proposition that a 28-day moratorium will improve insolvency procedures. But Hopkirk, who has a strong sense of loyalty to his workforce, may have taken the best steps to ensure part of his business survives, if not his company.

Banking on the ombudsman

Alison Smith on the extension of a complaints scheme to small firms

The greatest pleasure, as described by Charles Lamb, the essayist, was "doing a good action by stealth and having it found out by accident".

This approach is less desirable when the ability to do the good action depends to a large extent on publicity.

It is therefore unfortunate that the extension of the banking ombudsman scheme to any complaints from small businesses as well as those from personal customers has had such a low profile.

The report from the banking ombudsman for 1993-94, published last week, marked the first time that the scheme has separated complaints made about banks' behaviour by business customers from those made by personal account users.

Sole traders, partners and unincorporated companies have been able to have their complaints heard by the ombudsman since the scheme first started in 1986.

But only since January last year has the scope been extended to limited companies which have an annual turnover of up to £1m. The ombudsman can only take up complaints after banks' internal procedures for addressing grievances have been exhausted. It is therefore really only this year that the extension has had much impact.

Some small business groups had hoped that businesses which already had access to the ombudsman might also come forward with their grievances. But since the new new role has gained little coverage such businesses have not been encouraged to air their views.

Despite the lack of publicity, the report revealed that more than 1,700 complaints to the ombudsman related to business – about one in five of the total 8,700 complaints received in the year to the end of September.

This is an increase of about five per cent on the proportion they represented in the previous year's report.

Laurence Shurman, the ombudsman, expects the number to rise gradually, as the business dimension to the scheme becomes better-established. "It takes a while for things to pick up," he says.

At the same time, he believes there will be fewer cases reaching the ombudsman as banks show themselves increasingly ready to resolve business complaints.

This is, he believes, partly because business customers often have more leverage with the banks than do the personal customers.

"Where a complaint relates to a very modest personal account there is less room for profit. But where a bank is hoping to profit from a business that complains, it may decide that even if it doesn't

High street banks have their own procedures for dealing with small businesses

agree in this particular instance, it makes good commercial sense to go along with it."

Nonetheless, the ombudsman does not rely heavily on this possibility where small businesses are involved.

Shurman instead has called for the voluntary code of banking practice to be extended to small businesses.

It is therefore uncertain whether they would welcome any extension of the code, which will not be issued in a revised form again until 1997.

Shurman may have to demonstrate the advantages that have followed from the extension of his own role to small businesses, if an extension of the code is to occur.

John Parsons, chairman of the Confedertion of British Industry's small companies panel, says anecdotal evidence suggests there has been no major impact. Even so, he is clear that the move is worthwhile.

"If you're running a growing business and you have a complaint against a bank, you may well not have the resources to deal with it yourself," hesays. "But businesses ought to be more aware of the scheme."

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PEOPLE

Succession settled at Schroders

Schroders, the investment bank, announced yesterday that Win Bischoff, the current chief executive, is to succeed George Mallinkrodt as chairman of the group when Mallinkrodt retires from the post next May and becomes president.

Bischoff, seen as a driving force in strategy since his appointment as chief executive in 1984, will be partnered by Peter Sedgwick, chief executive of Schroder Investment Management, who will become vice-chairman.

Mallinkrodt, who is connected with the Schroder family through his marriage to Charmaine Schroder, said yesterday that he had decided to retire as chairman in order to allow others in the group to move up to senior positions.

"The right thing is that people must have the opportunity to progress. You cannot have a chairman who sits at the top until he is 80 and blocks people," says Mallinkrodt, 64, who will maintain links with international clients as president.

Sedgwick, who has developed the bank's asset management arm into one of its most valuable operations, will become vice chairman on January 1. Mallinkrodt says he and Bischoff would form a "partnership" at the helm of the group.

Jean Solandt, who heads treasury and trading, will become chairman of J. Henry Schroder Wagg, the merchant bank, and chair the group executive committee. William Slee and David Challen will be joint vice-chairman of the merchant bank.

John Govett will become

chairman of Schroder Investment Management, and Hugh Bolland and David Salisbury will be joint chief executives of SIM. Andrew Sykes is to succeed Jean Solandt as head of treasury and trading in London.

Mallinkrodt says the changes, on which he has been working with Bischoff since last December, were meant to be "as easy and evolutionary as possible" and reflected the need for a broader management structure to reflect the bank's growth. *John Gapper*

Jones moves up at Reed

Keith Jones, who has spent his entire career at IPC Magazines, is to become chief executive of Reed Business Publishing next May when John Matthews, the present chief executive, retires.

Jones, 38, who joined IPC, now part of the Reed Elsevier group, as a graduate trainee in 1977, is at the moment managing director of the specialist publishing group within IPC. Specialist publishing covers a total of 40 titles and the portfolio includes sectors such as golf, fishing, football, equestrianism and science.

Jones, who was chosen as Publisher of The Year in 1991 by the Periodical Publishers Association, will become deputy chief executive of Reed Business Publishing on January 1 in preparation for the hand-over.

Matthews has spent a long career with Reed Elsevier. He joined the printing division of Odhams at Watford in 1962 and ultimately became managing director. He transferred to IPC Magazines in 1984 and, following the acquisition of Independent Television Publications by IPC Magazines, was appointed managing director. He was also responsible for the launch of the successful TV listings magazine What's on TV before becoming chief executive of business publishing in 1992. *Raymond Snoddy*

■ **Tom Moloney**, formerly group md of EMAP's women's titles, has been appointed chief executive of its UK consumer magazine division.

■ **Chris Davies**, who has been with WILLIAMS HOLDINGS since 1982, has been appointed operations director.

■ **Chris Simpson** has been promoted to the board of FIELD GROUP.

Allied Leisure's team 'in place'

Allied Leisure, the ten-pin bowling group, hopes to have ended a year of boardroom upheavals with the appointments of Neil Goulden, as managing director, and Peter Molony as a non-executive.

Directors have been falling like skittles at Allied, which lost its chief executive and other directors this year as it plunged into the red. In September, it reported pre-tax losses of £30.1m for the 48 weeks to June 19 after withdrawing from its nightclub businesses to refocus on its ten-pin bowling operations.

Ken Scobie, who resigned as chief executive of Brent Walker in January 1993, was appointed part-time chairman in September, replacing William Davis. Damien Harte, appointed finance director just over a year ago, said yesterday that Allied's management team is now complete. Goulden's major task would be to consolidate the core bowling business and take it forward.

Goulden, 41, is currently chief executive at Letheby & Christopher, the division of Compass that specialises in sports and event catering. During his six-year tenure, Letheby's turnover has doubled to £40m. His 20-year experience of the leisure industry includes stints with Ladbroke and with Grand Metropolitan at the Chef & Brewer and Berni Inns chains.

Bowling contributes less than half Allied's turnover, which is made up from food and drink operations, and from video machines.

Molony, who was the longest serving member of the Rolls-Royce board when he left in 1986, previously worked as finance director of Scottish & Newcastle Breweries and as Accountant General to the Post Office. *David Blackwell*

Non-executive directors

VCI, the video and audio publishing group which was floated on the London Stock Exchange earlier this year, has appointed Michael Grade non-executive chairman as from January 2.

As chief executive of Channel 4, Grade, a former director of programmes at the BBC, is allowed to have two non-executive directorships. He is already a non-executive of First Leisure Corporation.

Steve Ayres, at the moment both chairman and chief executive of the company, is to give up the chairman's role to concentrate on being chief executive. Ayres was a pioneer of the video "sell-through" market in the UK – selling rather than renting videos. The company has since moved on to include audio tapes and is now experimenting with multi-media technology. VCI's stock reached a new high of 160p on news of Grade's appointment, valuing the company at more than £60m. *Raymond Snoddy*

■ **Norman Lamont MP** at EQUITY CONSORT INVESTMENT TRUST; John Green-Armytage has resigned.

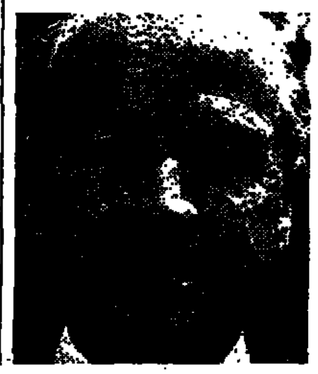
■ **Victor Blank**, chairman of Charterhouse, at WILLIAMS HOLDINGS; Jim Rigg is retiring.

■ **Lord Wakeham**, former leader of the House of Lords, and **Nicholas Barber**, deputy chairman of Royal Insurance, at BRISTOL & WEST Building Society.

■ **Tony Mitchard**, chief executive of Avon Rubber, at AUTOMOTIVE PRECISION HOLDINGS.

■ **John Evans**, about to retire as investment manager of the Courtaulds Pension Fund, as chairman at NORTHERN RETAIL (General Partner).

■ **Raymond Seitz** (below), former US ambassador to the Court of St James, at GEC.



BUSINESSES FOR SALE

STATE PROPERTY AGENCY

INVITATION TO TENDER

The State Property Agency (SPA) invites a one round, open tender for the purchase of the shares of

Dohányfermentáló Rt. Budapest
(Tobacco Fermenting plc. Budapest)
in state ownership.

1. The capital stock of the association is HUF 1,031,190,000, consisting of 103,119 ordinary shares with a face value of HUF 10,000 each.
   Bids can be submitted for 54,4 percent of the subscribed capital, with a face value of HUF 561,100,000.
   Bidders can exclusively submit their bids in cash.
   Bidders must deposit HUF 10 million or the equivalent in foreign currency as retention money.
2. Deadline for submitting bids: February 8, 1995, between 12.00 am and 14.00 pm.
   Place to submit bids: the official premises of the State Property Agency, Budapest, 1133 Pozsonyi út 56. 8th floor, room 804.
3. Bids must be valid for 90 days.
4. Bids must be submitted to the address indicated above in a sealed, unmarked envelope, in three copies, in Hungarian. Foreign bidders can also submit their bids in English or in German, in addition to the Hungarian, but even in this case the Hungarian language copy will rule.
   Bids must be submitted within the time specified above in the presence of a notary.
   Envelope must be marked:
   "PÁLYÁZAT Budapesti Dohányfermentáló Rt."
   Bidders are obliged to mark the original copy with the following lettering: "EREDETI". If bidders fail to do that, the Opening Committee will select one from the copies submitted, which hereinafter will function as the original. If there are differences among the copies, the copy so marked will rule.
5. The SPA reserves the right to declare the tender unsuccessful, to invite a second round or to request bidders to complete their bids.
6. The purchase of the tender documents, including the detailed tender invitation at a price of HUF 50,000 plus VAT at the SPA's Customer Service Office (1133 Budapest, Pozsonyi út 56.) is a precondition of the submission of the bids. On purchasing the tender documents a declaration of secrecy must be signed.
   An invoice on the purchase of the tender documents must be attached to the bid.
   Questions not touched upon in the present tender invitation are included in the detailed tender invitation, therefore it will rule in every question.

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Department of Trade and Industry

THE NATIONAL ENGINEERING LABORATORY

SALE BY COMPETITIVE TENDER

The Department of Trade and Industry (DTI) intends to transfer the National Engineering Laboratory (NEL) to private ownership by October 1995 through a commercial sale of the business for a cash consideration.

The DTI would like to hear from relevant organisations in the private sector who would be interested in acquiring the entire business as a going concern.

The DTI intends that NEL should be sold as a viable business, retaining its reputation for the provision of high quality engineering services to the private and public sector and further that it will continue to support the National Measurement System (NMS) for which the DTI is the customer.

The Business

NEL has been an Executive Agency of DTI since October 1990 and currently employs some 250 people. The 1993/94 turnover was £13.5 million, almost 50% of which was from the private sector.

NEL is based in purpose built engineering facilities on the Scottish Enterprise Technology Park near Glasgow.

NEL has two operating divisions; fluid and process technologies and engineering services. NEL's operations include the centre for development of flow measurement in the NMS. This centre holds the UK standard for flow measurement, an indication of the technical excellence of the staff and facilities. The principal services fall largely within the following engineering technologies:
- fluid technologies and process engineering
- engineering materials and structures
- manufacturing and process control technology

The composition of the operating divisions broadly reflects these technology areas. NEL has ISO 9000, TickIT and NAMAS accreditation for almost all of its operational activities.

Expressions of Interest

To receive further information and a copy of NEL's Annual Report and Accounts for 1993/4, please write (sent preferably by fax) to Gerry Gavigan, DTI Laboratories Unit, 151 Buckingham Palace Road, London SW1W 9SS, (Fax: 0171-215 1059) to arrive by 21 December 1994. The letter should contain a brief outline of the rationale for your interest. DTI will decide which intending bidders to include on a short list and will provide them with further details in an Information Memorandum as the basis for preparing bids.

The DTI reserves the right not to pursue any or all expressions of interest for NEL.

BUSINESS AND THE LAW

A policy in disarray

Robert Rice on the UK government's attitude to competition and deregulation

Two weeks ago, UK competition policy looked in total disarray. Sir Bryan Carsberg, director general of the Office of Fair Trading, had just announced that he was to step down early as head of the UK's competition watchdog.

The known preference of Mr Michael Heseltine, trade and industry secretary, for industrial policy over competition policy had driven away the last advocate of a strong consumerist approach to competition policy.

At the same time, the Monopolies and Mergers Commission which, under the chairmanship of Mr Graeme Odgers, a former industrialist, stands "four square" with Mr Heseltine's views on privatisation, competitiveness and deregulation, had little to do.

Suddenly, however, a flurry of activity has led some observers to suggest that reports of the death of competition policy are greatly exaggerated. Both the GEC and British Aerospace bids for VSEL, the UK submarine maker, have been referred to the MMC, as has the Performing Rights Society over its handling of royalties for composers and song writers. The proposed Halifax and Leeds building societies merger may also be referred.

Mr Bill Bishop of Lexecon, the economic consultancy, says: "Two weeks ago you could have said 'Heseltinisation' resulted in non-statutory abolition of competition policy – but you can't say that now."

Others argue it is too early to talk about a revival of competition policy. They feel the VSEL case could be a one-off.

At first sight, the decision to refer the bids sits oddly with Mr Heseltine's relaxation of policy to help create strong UK champions capable of competing globally. The City was certainly taken by surprise and VSEL's share price fell sharply on the news from £15.35 to £13.35.

His decision was also unusual. The GEC bid was referred on competition grounds, because GEC already owns the other large warship yard at Yarrow on the Clyde. But the BAe bid raised no competition issues. It was referred because of issues of "public interest involving national security".

Since the introduction in 1984 of the so-called "Tebbit doctrine", which made competition the primary criterion of merger reference policy, no other bid by a British company has been referred to the MMC on non-competition grounds.

If it had not been for Treasury pressure on Mr Heseltine to preserve an element of competition in this area of defence procurement, he would almost certainly have cleared both bids, despite the OFT recommendation that the GEC bid be referred on competition grounds.

Having bowed to Treasury pressure on the GEC bid, however, the BAe referral can only have been for political expediency, particularly as it contradicts stated DTI policy of not referring just to level the playing field between rival bidders. The most recent example of that policy at work was the 1992 battle for Midland Bank where Lloyd's Bank's bid was referred but Hongkong and Shanghai Banking Corporation's was not.

The uniqueness of the VSEL case – in terms of industry and political considerations – makes it difficult to conclude the DTI is showing sudden renewed interest in competition policy. Most signs still point to Mr Heseltine's continuing lack of interest in competition policy. Sir Bryan appears to accept he failed to nudge the DTI or MMC towards a more consumerist approach. His belief that markets should be free of anti-competitive restraints unless patently of benefit the consumer has been rejected by a succession of MMC reports on Fine Fragrances, Ice-Cream and recorded music.

Since the MMC cleared the record industry in the summer of acting together to keep the price of compact discs in Britain artificially high, he has not recommended the referral of any cases involving vertical restraints to the MMC.

The government has also been relaxed to the point of indifference about acting on competition concerns raised in MMC reports.

In August, Mr Neil Hamilton, then corporate affairs minister, announced after long delays that the government was implementing three MMC reports.

The report on London exhibition halls would be implemented after the failure, after eight months of negotiations, to secure satisfactory undertakings from five electrical companies which enjoyed a complex monopoly giving exhibitors no say in buying electrical services.

He also announced that he had accepted statutory undertakings from Mainline Group, formerly South Yorkshire Transport, to remedy the anti-competitive effects of its 1989 acquisitions of four rival Sheffield bus companies.

Both MMC reports were published in 1990. Although the subject of court challenges, these had been dealt with by the end of 1992.

The government has also finally accepted undertakings from Stagecoach Holdings, the bus company, which followed the MMC's 1990 report on its acquisition of Formia, an East Sussex bus company.

Other MMC reports remain unimplemented more than a year after publication. Satisfactory undertakings have still not been negotiated with Prosper de Mulder, the leading UK animal waste rendering company, more than a year after the MMC suggested measures to prevent further breaches of undertakings given by the company in 1986 and to curb discriminatory pricing.

The apparent inability of the OFT to tackle abuses of market power when confronted with red-blooded monopolists sends the wrong signals about anti-competitive behaviour to UK companies, competition lawyers argue. It also suggests British competition law badly needs reform. The government's decision last year to retreat from radical changes to the rules on abuses of market power may have pleased the industry lobby which opposed the prospect of heavy fines for practices such as deliberately pricing goods too cheaply, but it is looking indefensible, these lawyers add.

Reform of restrictive trade practices legislation – which would bring the UK more closely into line with Europe by prohibiting anti-competitive agreements, such as price fixing cartels, and make companies liable to heavy fines for breaches of the law – was first promised in 1987.

In January Sir Bryan criticised the government for not including the reforms in this year's Deregulation Act. Welcoming articles to reduce the burdens on industry of competition law, he said reform of the law on anti-competitive agreements would have "reduced the burdens on business generally while also creating a more effective protection of competition".

The government's failure to include the reforms in this year's Queen's Speech is thought to have been decisive in Sir Bryan's decision to resign from the OFT.

By failing to take action on competition law reform the UK is also becoming isolated in Europe, many competition lawyers believe. A project is under way in Brussels to see how decision-making under EU competition laws – article 85 of the Rome treaty on anti-competitive agreements and article 86 on abuse of market power – can be shared with member states.

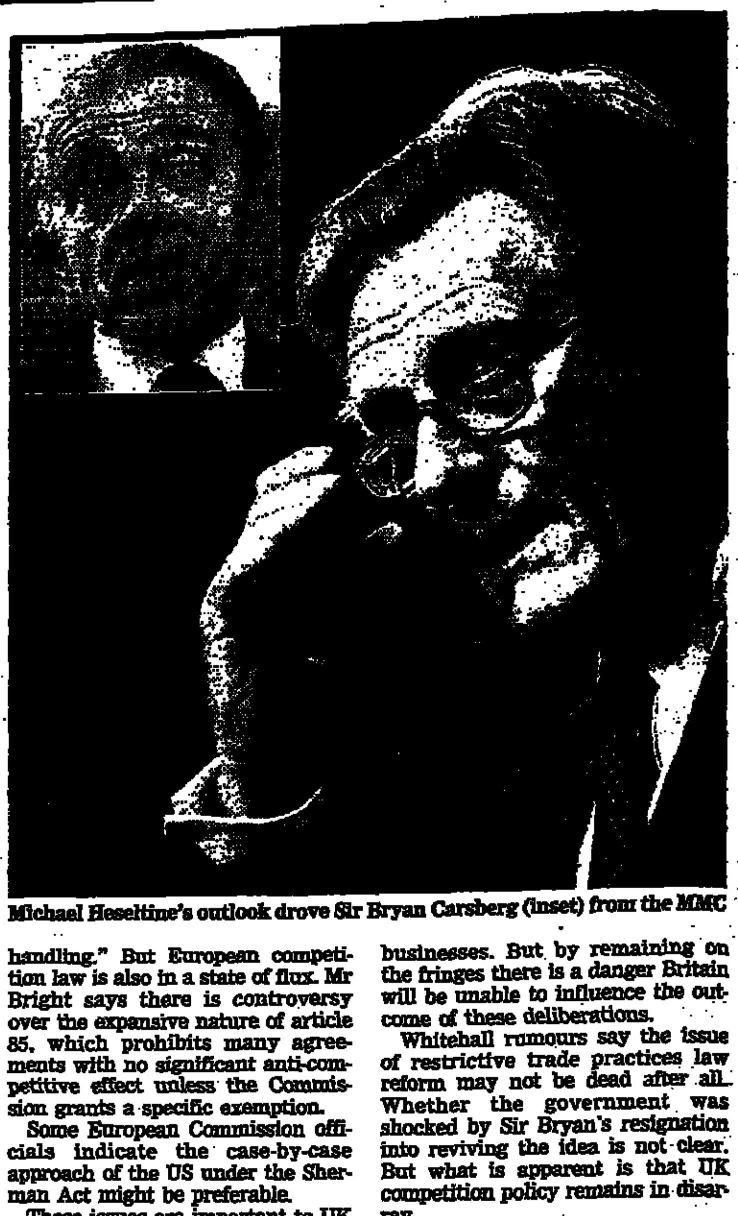
Articles 85 and 86 are already directly applicable in the UK when inter-state trade is affected, so British industry cannot ignore the EU regime. But with the exception of the Dutch, who are moving towards a system based on articles 85 and 86, Britain is now the only EU member state without a regime based on prohibition of anti-competitive practices backed by a system of fines.

Decentralisation of decision-making requires convergence of competition rules in Europe. Mr Christopher Bright, a partner in Linklaters & Paines, the international law firm, says: "There is no doubt Brussels is very uneasy about UK case handling." But European competition law is also in a state of flux. Mr Bright says there is controversy over the expansive nature of article 85, which prohibits many agreements with no significant anti-competitive effect unless the Commission grants a specific exemption.

Some European Commission officials indicate the case-by-case approach of the US under the Sherman Act might be preferable.

These issues are important to UK businesses. But by remaining on the fringes there is a danger Britain will be unable to influence the outcome of these deliberations.

Whitehall rumours say the issue of restrictive trade practices law reform may not be dead after all. Whether the government was shocked by Sir Bryan's resignation into reviving the idea is not clear. But what is apparent is that UK competition policy remains in disarray.



Michael Heseltine's outlook drove Sir Bryan Carsberg (inset) from the MMC

Ruling on single shipping action in two courts

EUROPEAN COURT

Last week, the European Court of Justice gave a ruling in response to several questions, referred to it by the English Court of Appeal, regarding jurisdiction in shipping cases under the Brussels Convention on Jurisdiction and Judgments where the same action is pending before two different courts.

The questions arose in the context of actions concerning a cargo of soya bean oil, which the owners complained was contaminated on the vessel Tatry en route from Brazil to Rotterdam and Hamburg.

Actions were brought by the shipowners and cargo owners at different times in UK and Dutch courts. In November 1988 the shipowners brought an action in the Rotterdam district court against two of three groups of cargo owners seeking a declaration that they were not liable. In September 1989 the shipowners initiated separate but similar proceedings against the third group in Rotterdam.

Finally, in October 1990 they initiated proceedings in the Netherlands seeking to limit their liability in respect of the entire cargo under the 1957 International Convention on limitation of shipowner liability.

Two actions to arrest one of the shipowners' vessels were brought in Liverpool by two of the cargo owner groups, but writs were not issued until September 1989. The shipowners secured release of their vessel by providing a guarantee. The action continued under English law, where doubts exist whether such proceedings continue only against the ship (*in rem*) or both against the ship and against the shipowners for damages (*in personam*). The English Admiralty Court acted under the 1981 Supreme Court Act which implements the 1952 Brussels Arrest Convention.

Later precautionary actions were brought by the two cargo owner groups in the Netherlands. The third group only brought an action for damages in September 1989 in the Netherlands.

The Admiralty Court refused to decline jurisdiction under the rules governing situations where the same action is pending in different courts. It said the previous Dutch proceedings did not involve the same cause of action, since damages were sought in the English proceedings. The earlier Dutch proceedings merely sought a declaration that the cargo owners were not entitled to claim damages from the shipowners. Moreover, one of the cargo owners was not a party to the Dutch proceedings. The Admiralty Court accepted that the two proceedings were related actions, but found it inappropriate to decline jurisdiction.

The ECJ ruled first that a specialised convention, such as the 1952 Arrest Convention, precluded the application of the Brussels Jurisdiction Convention only in cases governed by the specialised convention. When it contained no provision as to what should happen when the same cause of action was pending in separate courts, the Brussels Convention applied.

The Court said an action seeking to have the defendant held liable for damages had the same cause of action and the same object as earlier proceedings brought by the defendant seeking a declaration that he was not liable for damages.

Distinctions in English law between actions *in rem* and *in personam* were irrelevant to the interpretation of the convention.

Where two courts claimed jurisdiction over a similar action, the second national court to consider the case should decline jurisdiction in favour of the first court. When not all the parties are the same, it should decline jurisdiction only to the extent the parties to the second action are the same as the parties to the earlier action. The second action could continue between the other parties.

However, the ECJ ruled that in this context the two actions will be related actions involving the risk of conflicting decisions. It said the risk of conflicting decisions would arise when two separate groups of actions for damages were brought by different cargo owners in two different national courts against the same shipowner under separate but identical contracts.

C-406/92, Tatry cargo owners v Maciej Rataj, ECJ FC, 6 December 1994.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

The Valkyries ride at La Scala

Richard Fairman reports from Milan on Riccardo Muti's opening production

The management of La Scala, Milan, will no doubt have been relieved that the opening night of the season passed off so peacefully this year. The rumoured student demonstration failed to materialise and the audience responded with reasonable enthusiasm to the performance.

Some reports suggest that Riccardo Muti, the musical director, would be happy to see the opening night ritual done away with altogether. While the riot police are outside guarding the glittering audience, many of the performers inside liken the atmosphere to being put on trial; the unfortunate ones who fall from grace (including Pavarotti recently) finding themselves on the receiving end of whistles and jeers.

The worst incidents have occurred on opening nights devoted to Verdi, La Scala's presiding genius. Some resentment may have been caused by this season's choice of opera – why Wagner when there were so many Italian operas? – but in other respects Muti has found a good way of diffusing the tension. Italian temperament does not burn on such a short fuse when the opera is German.

There is another reason, too. Ironically, it is easier to cast a Wagner opera well at the moment than it is one of the grand operas by Verdi. For this new production of *Die Walküre* La Scala has assembled not one, but two all-star casts, the first of which exhibited a high level of purely vocal accomplishment on Saturday (like most people interested in the opera rather than the occasion, I attended the second performance).

As Siegmund and Sieglinde, Placido Domingo and Waltraud Meier poured out a stream of rich tone with no hint of strain or forcing. Domingo habitually swallows his German consonants and Meier's Sieglinde was less exciting than her famous Kundry, but at least they made a handsomely-sung couple. Matthias Hölle's menacing Hunding completed a strong trio for the opening act.

In the second cast Jane Eaglen will be making her La Scala debut as Brünnhilde, but the first cast offers the well-tried and powerful Gabriele Schnaut, wielding a laser-beam soprano which can jar on the nerves when it is not exactly in tune. Monte Pederson has stepped into Wotan's shoes early in his career and his youthful, carefully-contained baritone is still growing to the right stature; his vocal reserves were waning fast some way before the end. Marjana Lipovšek's Fricka was as sure as a rock (fortunate as she was placed on a precipitous crag) and there was a strong band of Valkyries, including Susan Anthony, Ruth Floeren and Penelope Walker.

Muti himself received widespread public acclaim, although his sleek Wagner conducting might not go down well everywhere. The music sped through the fast passages as though flying weightlessly, only to become becalmed when the tempo had to slow; and it was strange that the excellent, apparently well-rehearsed La Scala orchestra should have a brass section that could get itself into such a pickle.

It is not clear yet what definite plans the company has for the other *Ring* operas. If this *Walküre* is a one-off assignment, it will matter less that André Engel's production showed so little inclination to get a grip on the *Ring's* intellectual issues. The best course was to enjoy Nicky Rieti's strangely alluring stage pictures and not trouble oneself asking why Hunding's hut seemed to be an underground dwelling in the middle of a desert or what Siegmund was doing wandering among a consignment of white duvets (were they clouds?) before he died.

There was, however, one stunning *coup de théâtre*. For the Ride of the Valkyries four remarkably lifelike mechanical horses appeared at the back of the stage, rearing their heads and galloping towards the audience in awesome slow motion. Every staging of the *Ring* gets one of the special effects right. It is just a shame one cannot collect them over the years and put together a definitive production.

Focus on the figure

William Packer reviews the early figurative work of Edward Burra together with more recent paintings and drawings by Sergei Chepik and Patrick Procktor

Working from the figure is rather an issue these days. Should the life model be available to the student and, if so, what kind of use should be made of it? Should it be a focus of objective and technical study, or merely a prompt for subjective interpretation and response? In the old days the answer would have been taken as read, that of course it must be the first alternative, for without such a fund of knowledge and practice, how could one possibly move on usefully to the second?

By chance, several current London shows, and one in particular, make the point. The Lefevre has had a number of shows lately of the work of that most idiosyncratic of English surreal romantics, Edward Burra. The latest is of a fascinating group of works on paper from his time as a student in the 1920s, and his first years of independence.

Here is the mature artist in embryo, wearing his influences on his sleeve, flirting with caricature and making his first moves towards the vigorous mannerism and wicked imagery of café, low cabaret and hotel, that were soon to mark him out. Nothing is inconsistent to the artist we know, for all that the young Burra as cartoonist was looking to Lear, as illustrator to Rackham and Dulac, as artist to the still-lifes, interiors and gardens of David Jones and the brothers Nash. These last, views taken in and around Burra's family home at Rye, are most beautiful drawings.

To declare an influence is never to betray oneself, if it is taken as something direct, useful and unselfconscious. It is indeed the great paradox of creativity that the artist is most himself when least concerned with himself. This is nowhere more evident than in the life-drawings and figure studies which punctuate this show. How typical of the period they are, with that swift, incisive contour and judicious modelling through the form, shades of Strang and Kennington and Randolph Schwabe, who taught him at the Royal College.

But even so, Burra's personal inflexion always comes through, with just a shift of an emphasis here, and an exaggeration there. Suddenly we see how firm and knowing was the base that he had acquired in his study of the figure, and how necessary it was to every graphic liberty he was subsequently to take. It underpins, and validates, the entire oeuvre.

Next door, at Roy Miles, Sergei Chepik, a Russian painter now living in Paris, is showing his latest work. Chepik, who had an orthodox academic training in Leningrad, is evidently talented and prodigiously prolific. And it is typical of the prolific that too often they do not know when to stop. More to the point, so anxious are they to move on that too much is left perfunctory and unresolved.

Chepik is prepared to work on an epic scale, and with epic themes, composing and ordering them with remarkable vigour and invention. And these too often lead him into the abyss of gothic fantasy, essentially literary and sentimental, peopled by armies of ghouls and madmen, clowns and monsters, all gesticulating with fearful histrionics. Someone should tell him quietly that the white-faced clown, indeed any clown, is the first and final disqualification for any serious regard.

And yet, as one recoils somewhat from the kitsch excess, one cannot but acknowledge and even respect the artist buried beneath it all, who may yet struggle free. For the more straight-forward the work becomes, and the less forced the symbolism and the portentousness, the better it is. A still-life, a portrait or two, some compositions in the Russian illustrative tradition, all offer much hope. The figurative skill and knowledge are there, and the discipline too, though dormant. Perhaps Chepik should not try so hard.

Patrick Procktor, now at the Redfern with a mini-retrospective, is a painter who in the past has seemed, perhaps, not to be trying hard enough. His pictorial wit, his lightness of touch, his graphic sensibility and charm were quite enough to carry us along, and not notice too unkindly that the image was skimped and the painting perfunctory. But all is not always as it seems, and this little show gives us pause for thought in adding some retrospective substance to the work.

What is most useful is to see the latest paintings, of landscapes and figures, against the figure painting of the early 1960s, when Procktor first sprang upon an astonished world. That work was a sophisticated expressionism founded in the old discipline of life painting, worked directly from the model. And what we find is that while not so closely disciplined, this new work marks a return to that richer surface and a closer selective working of the paint within the looser general statement. And those more lightly stated paintings in the interim, portraits, views of Venice and the like, they are not so slight after all.

Edward Burra: The Formative Years 1923-27; the Lefevre Gallery 30 Bruton St, W1 until December 21. Sergei Chepik: New Works; Roy Miles Gallery 29 Bruton St, W1 until December 21. Patrick Procktor: paintings and drawings from the 1960s to the 90: The Redfern Gallery, 20 Cork Street W1, until December 22.

A mature artist in embryo: an early watercolour by Edward Burra

Theatre

Calamity Jane

If you like your ham hickory smoked, this is surely the show for you. The Steam Industry's production of *Calamity Jane* (at BAC, Battersea), is a hoot from start to finish: wildly energetic, noisy, sweaty, totally over the top and thoroughly enjoyable.

Phil Willmott's staging gallops through the story of the pistol-toting tomboy, Calamity Jane, her efforts to please the local wasters by fetching a glamorous actress to perform in Deadwood, Dakota, her fights and her eventual romance with Wild Bill Hickock, manages to send it up comprehensively, but in a generous spirit.

Willmott hooks his audience from the outset with the dashing opening. The show begins very quietly as little groups of two and three filter on to the stage in the dark to stand and wait, until the stage is filled with two dozen silent people and the anticipation cannot be sustained any longer. Then the remainder of the 30-strong cast bursts into the auditorium and thunders down through the audience singing "The Deadwood Stage" at full throttle. From then on the pace is furious, the company putting everything into a staging that is corny and camp, but never churlish.

The choreography, by the appropriately named Jack Gunn, is of the wide-eyed, thigh-slapping, cheesy-grinning variety – Gunn must have raided every musical on offer to pilfer every cliché in the book. The cast shuffles and stomps, the girls do high kicks, the men in the bar move as one, like a shoal of fish, while the stars leap onto furniture and pound up and down the stairs. This is not a show for those with a nervous disposition or a passion for subtlety.

At the centre of it all, Leigh McDonald holds her own in the Doris Day role as a tremendously appealing Calamity Jane. A tough, chirpy little body, she has a strong voice – a little breathless at times, but that is because she throws herself into the part with such exhausting energy. She is nicely matched by Michelle Bissell as the sweet and wholesome Katie Brown and Jason Griffiths as the sly Mr Wild Bill Hickock.

There is no danger of any deep psychological interpretation of Calamity Jane's insistence on dressing like a man and playing tough, indeed there is no danger of any depth or subtlety at all. But, as Calamity would say, what the heck. The Steam Industry is an interesting company, whose work ricochets from the inspired to the dire, but this production is irresistible, pure entertainment on a shoestring, and it generates enough energy to rival Battersea power station in full swing.

Sarah Hemming

At BAC, Battersea (071 223 2223).

Three Graces unveiled at the V&A

The Three Graces were unveiled in the Victoria & Albert Museum in London yesterday, ending a five year battle over ownership of the 19th century sculpture.

The Graces have been the subject of controversy since the Marquess of Tavistock, whose ancestor commissioned sculptor Antonio Canova in 1814, offered the work to the V & A almost a decade ago. The museum could not afford the £1m price, condemning the Three Graces to years in a London warehouse, the property of the mysterious Fine Art Investments & Display.

In 1989 the J. Paul Getty Museum at Malibu paid £7.6m for the work, but attempts to export it were thwarted by British heritage groups, which raised £3m from the National Heritage Fund, £1m from John Paul Getty 11, £800,000 from Baron Thyssen, £500,000 from the National Art Collections Fund and the remainder from the V & A and the National Gallery of Scotland.

National heritage secretary Stephen Dorrell said yesterday that the unveiling of the sculpture was a boost for the nation's heritage and the end of a "long saga". The Graces will leave London in July for Edinburgh, where they will spend the next four years in the National Gallery of Scotland. They will return to the V & A in 1999 then rotate between the two institutions every seven years.

Antony Thorncroft

Concert/**Antony Bye**

Goldschmidt premiere

For all the confrontational nature of much of its art, the 20th century has given us a surprisingly large number of accessible violin concertos by composers as diverse as Bartók, Britten, Prokofiev, Shostakovich and Walton. At its first British concert performance on Thursday at the Royal Festival Hall, 40 years after its completion, Berthold Goldschmidt's Violin concerto was given every chance to succeed as well: the interpretation, at least, seemed everything the composer could have wished for.

Such belated premieres are nothing new for the Jewish refugee who settled in England, where he abandoned composition entirely. Recently Goldschmidt's fortunes have changed and he has resumed composing. CDs of both his earlier and later music are proliferating and his two operas have recently been staged in Germany.

The Violin concerto offers no grandiose world-view such as one might expect from a composer who was instrumental in getting Mahler's music recognised in Britain. It owes more to Stravinsky and Hindemith, an attractive four movement work, new-classical in outline but shot through with darker undercurrents. The fourth movement is perhaps less convincing that the first three, which are beautifully crafted and idiomatically written for the violin. The first, in particular, shows Goldschmidt at his finest: rhapsodic in form, one idea generates the next in a succession of episodes which embrace a gamut of moods from bitter-sweet lyricism to turbulent polyphony. My only doubts lay with the quality of the work's raw materials. The gestures are all in place, but are the melodies memorable enough?

The young Canadian violinist Chantal Juillet certainly tried to convince us that they were, dispatching the often fiendish solo part with heroic aplomb. Charles Dutoit and the Philharmonia Orchestra provided firm, colourful support, on top form after opening with a reliable but solid account of Bizet's Second L'Arlésienne Suite.

In spite of the obvious attractions of the Goldschmidt, however, it was a magisterial account of Prokofiev's Fifth Symphony which provided the most nourishing experience of the evening. Even though the orchestra's guest leader, Hugh Bean, collapsed dramatically during the first movement (necessitating his removal and a break in the performance – he was later reported to be comfortable in hospital), the orchestra responded to the upset with playing of great power and warmth, fully at one with Dutoit's broad, romantic conception and firm structural command of a work which can all too easily sound protracted and coarse – a fine tribute to the Philharmonia's professionalism and Dutoit's consummate artistry.

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INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Philippe Herreweghe: with the Freiberger Barockorchestra and the Collegium Vocale Gent conducts Bach at 8.15 pm; Dec 20, 22
● Sir Georg Solti: with the Royal Concertgebouw Orchestra and pianist Evgeny Kissin conducts Beethoven and Bartók at 8.15 pm; Dec 14

■ BERLIN

CONCERTS
Berlin Philharmonic
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado and with soloist Maurizio Pollini plays Brahms and Mussorgsky at 8 pm; Dec 14, 15, 16, 19, 20, 21
OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 14, 27
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Verurteilung des Lukullus: by Paul Dessau. Conductor Hirsch, production by Berghaus at 8 pm; Dec 15, 18 (3 pm)
● Die Zauberflöte: by Mozart. Conductor Daniel Berenboim, production by August Everding at 7 pm; Dec 14, 20, 23, 25
● Dornröschen: by Tchaikovsky. Conducted by Stolze, choreographed by Nureyev at 7 pm; Dec 26, 27
● La Traviata: by Verdi. Conducted by Rizzi, production by Kirst. In Italian at 7 pm; Dec 17

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 20, 26
● The Dream of Gerontius: by Elgar. The London Symphony Orchestra with mezzo-soprano Anne Sofie Von Otter conducted by Sir Colin Davis at 7.30 pm; Dec 15
● The Messiah: by Handel. City of London Sinfonia conducted by Richard Hickox at 7.30 pm; Dec 13
Festival Hall Tel: (071) 928 8800
● International Series: The London Philharmonic conducted by Bernard Haitink plays Berlioz (Overture, Benvenuto Cellini), Ravel (Mother Goose) and Vaughan Williams (Symphony No.5) at 7.30 pm; Dec 15
● Philharmonia Orchestra: conducted by Charles Dutoit and with pianist Pascal Rogé plays Mozart and Mahler at 7.30 pm; Dec 13
GALLERIES
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 14
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Dec 13, 15, 17
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Dec 16
Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; from Dec 21 to Jan 2 (Not Sun)
Royal Opera House Tel: (071) 240 1911
● Ashton Remembered: celebration of the Royal Ballet founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 15, 17 (2 pm)
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm), 26 (2 pm), 27
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 13, 16, 19
● Mixed Programme by the Royal Ballet Company: includes Fearful Symmetries choreographed by Ashley Page at 7.30 pm; Dec 14
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 20 (2 pm), 21, 22
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 13, 14 (2.15 pm), 23, 26, 27
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 15, 16, 17 (2.15 pm), 19

■ NEW YORK

GALLERIES
Whitney Museum
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; from Dec 16 to Mar 12
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 22
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 16, 20, 24 (1.30 pm)
● Madama Butterfly: by Puccini at 8 pm; Dec 14, 17, 21, 27
● Peter Grimes: by Britten. English at 8 pm; Dec 15, 19, 23
● Rigoletto: by Verdi at 8 pm; Dec 13, 17

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● French National Orchestra: Jeffrey Tate conducts Beethoven Symphonies Nos. 2 and 3 at 8 pm; Dec 15, 17
GALLERIES
Louvre Tel: (1) 42 60 39 26
● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19
OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Casse-noisette: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 22, 23, 25, 26, 27
● La Fontaine de Bakchisarai: ballet by the Kirov company, St. Petersberg at 8.30 pm; Dec 20, 21
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

■ ROME

OPERA/BALLET
Teatro Dell' Opera Tel: (06) 481601
● Cronache Italiane: ballet in two parts based on work by Stendhal at 7 pm; Dec 14, 15, 18, 20, 21, 22, 23

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● National Symphony Orchestra: performs Handel's Messiah. With conductor Peter Bay, soprano Janice Chandler and mezzo-soprano Stephanie Blythe at 8.30 pm; Dec 16, 17, 18, 19
GALLERIES
National Gallery Tel:(202) 737 4215
● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; from Dec 18 to Mar 19
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● The Nutcracker: music by Tchaikovsky. Presented by the Joffrey Ballet, choreographed by Robert Joffrey. No show Dec. 12th, mats at 2pm otherwise at 8 pm; to Dec 17
THEATRE
Gunston II Tel: (703) 418 4808
● An Evening with Tom Stoppard: a series of three one act plays by the British playwright presented by the Washington Shakespeare Company at 8 pm; to Dec 17

■ TURIN

OPERA/BALLET
Teatro Regio Tel: 011 8815 241
● Lo Schiaccianoci: ballet in three parts by Tchaikovsky. Performed by the Kirov company, St Petersburg. Sun mat only at 3 pm; to Dec 18 (Not Mon)

■ WOLFSBURG

GALLERIES
Kunstmuseum Tel: (05361) 26690
● Bart van der Leck: wide and representative selection of work from the early 20th century artist who made the transition from figurative painting to geometrical abstraction; from Dec 16 to Feb 26 (Not Mon)

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PERSONAL VIEW

High cost of liquidity

Amar Bhidé on the downside of US investor protection rules

Policy makers around the world who seek the Nirvana of frictionless trading found on Wall Street have enthusiastically endorsed the US model of securities laws and other investor protection rules. The imitators may not, however, appreciate the costs.

US rules to protect investors and the integrity of stock markets impair firm governance. They discourage shareholders from providing informed oversight and induce executives to neglect their fiduciary duties. The worldwide scramble to mandate accurate and complete disclosure, incarcerate insider traders and eliminate shady trading practices will likely benefit stockbrokers rather than stockholders.

As the experience of Continental countries suggests, liquid equity markets do not easily sustain themselves. Wall Street financiers, who argue passionately for free enterprise, in fact owe a great debt to their regulators. The Securities and Exchange Commission reassures the speculators who provide market liquidity by certifying the integrity of exchanges. Casinos with reputations for rigged games eventually drive away patrons. Penalties for insider trading similarly undergird a liquid market in which many buyers bid for stocks without much regard for the identity or motivations of the seller. The fear of trading against better-informed insiders would otherwise require protracted negotiations between known parties.

The SEC's enforcement of accurate disclosure facilitates the trading of claims on companies that neither buyer nor seller has personally examined. Early this year, for example, the SEC filed a complaint accusing the Bank of Boston of failing to disclose fully the deterioration of its loan portfolio. Whatever the merits of the case, such actions reassure traders that they can buy a company's stock without an independent audit of its loans.

Laws that protect mutual fund investors and pension plan beneficiaries by enjoining broad diversification of portfolios also contribute to market liquidity by fragmenting shareholding of stocks. The concentration of stockholding in a few hands impairs liquidity.

Diffused, arm's-length stockholding also discourages investors from playing an effective role in the governance of companies. Pension and mutual fund rules that direct their trustees and investment managers to diversify holdings widely make relationships with a small number of managers unlikely.

The seemingly irreproachable insider-trading rules place special restrictions on investors who hold large positions in a company's stock, serve on its board, or receive any confidential information about it. They must report their transactions, forfeit short-term gains, and try to avoid any appearance of trading on inside information. But why should investors become insiders and be subject to these restrictions just so that everyone else can enjoy the benefits of a level trading field?

They don't. Institutional investors, with fiduciary responsibilities, usually refuse to receive any private information from managers. They may grumble about a company's performance, but they will not sit on its board for fear of compromising the liquidity of their holdings. Without such rules, the same institutions would likely demand access to confidential information before they even considered investing. The rules thus make large investors resolute outsiders.

And outside shareholders cannot provide effective oversight. Evaluating chief executive officers – distinguishing between their luck and ability – requires considerable confidential and contextual information. But managers have a fiduciary duty to conceal strategic information from shareholders. The dialogue between managers and the public investment community therefore usually revolves around quarterly earnings estimates even though both sides are dubious about their long-run significance.

Disclosure requirements, too, impose special burdens on insiders and thus encourage arm's-length stockholding. For example, rules requiring disclosure of transactions with insiders make a company's banks, suppliers or customers less willing to hold large blocks of stock or serve on boards. Disclosure rules, intended to treat all investors equally, make anonymous shareholding safe. If company reports were sketchy or unreliable, shareholders would likely require an inside role and ongoing access to confidential information.

Market liquidity itself weakens incentives to play an inside role in firm governance. All companies with more than one shareholder face what economists call a free-rider problem. The oversight and counsel provided by any one shareholder benefits all others; therefore all of them may shirk their responsibilities. The issue is of particular concern if a company faces a crisis. The absence of a liquid market prevents shareholders from running away easily and forces them to pull together to solve the problem. With stock liquidity, however, it makes more sense for each investor to sell out instead.

US investors who have been locked out of an inside role see many CEOs as entrenched, overpaid and self-serving while CEO's complain about their shareholders' short-sightedness. The alienation helps make public equity markets an unreliable source of equity.

Accepted beliefs notwithstanding, the exceptional liquidity of US markets does not give publicly traded companies advantages in issuing equity. Investors regard stock issues with suspicion and companies issue equity as a last resort, or opportunistically, in overheated markets. Managers in fact go to considerable lengths to insulate themselves against fickle investors. They reinvest profits, sometimes in marginal projects. Or they acquire companies in unrelated businesses to generate counter-cyclical earnings.

Managers also don't try very hard for anonymous shareholders. Several studies have shown dramatic improvements in a company's performance after it has been subject to a leveraged buy-out, with just a few private shareholders. Overall, the robustness and vitality of US business owes little to publicly traded companies. Closely-held entrepreneurial companies have for more than two decades provided the principal source of innovation and growth.

In the US it may be too late to undo the damage. Elsewhere, regulators ought to rethink their opposition to multiple classes of stock, poor disclosure, limited float, insider trading and other impediments to stock market liquidity. Liquid markets play a valuable economic role – in physical commodities or well-secured, standardised contracts such as government bonds or currency futures. With the more amorphous equity claims, the traditional private relationships are usually best.

The author is associate professor, Harvard Business School

Joe Rogaly

Playgroups for politicians

British taxpayers are about to spend more on teaching under-fives. Do not hesitate. Rush out and buy. Pick companies heavily into egg-boxes, watercolours, paint sets, plastic bricks, and sharp objects suitable for throwing at random. The auction for the tots' vote has begun. Mr John Major made his bid at the Conservative conference in October. Good quality pre-school places will in due course be provided for four-year-olds whose parents want to take them up. What? Reluctant to invest in the prime minister? Not a penny? Have no fear. Labour's policy is more expansionary than Mr Major's, and just as cheap. The opposition offers universal nursery education – without increasing any taxes, you understand. Taxes? Heaven forfend!

On the government side the education secretary, Mrs Gillian Shephard, is inventing a means of delivering her boss's careful promise. She is juggling a familiar mix of potential providers: playgroups, private and voluntary establishments, and local education authorities. Choice will be her slogan. Let us decide upon the basis of what would be educationally beneficial, she will say. You can bet on at least a few more places for four-year-olds *before* the next election. Her Labour opposite number, Mr David Blunkett, has a more complicated task. He is preparing to reposition Labour's policy, so that it may become a close replica of the Conservative scheme, while looking different. He is working with the same list of providers as Mrs Shephard, but appears to want "integration", favouring elected authorities while not upsetting the powerful voluntary movements or challenging the existence of private nurseries. Choice will be his implied slogan.

The word-play used to express Labour's strategy once it is settled should be a source of infinite delight. Mr Blunkett's boss looks with greater favour on schools that have opted out of local education authority control than I suspect Mrs Shephard does, yet the process of converting the people's party is turning out to be predictably tedious. The main difficulty is this: Labour is lying under its blanket, keeping perfectly still, not daring to breathe, deeply afraid that it might wake up and find that what has been happening to the Conservative party is all a dream.

Labour lies under its blanket, still, not breathing, afraid it might wake to find that what has been happening to the Tories is a dream

Meanwhile there is movement in the room. The deputy director of the Centre for Policy Studies, that well-known nutter, has come thumping along to say that she favours a voucher system for nursery education. "Nutter?" I would have patience with the critics of Dr Sheila Lawlor, some of whom are to be found among her supposed Conservative allies, were it not for the awkward fact that from time to time she is right. She is half-right on this occasion, as we shall see in a moment. The centre she deputy-directs was inspired by the then Mrs Margaret Thatcher, who once undertook to provide universal pre-school tuition. The lady never got around to it. Nor did Lord Joseph, who has just died. He founded the CPS, and helped Dr Lawlor prepare her latest pamphlet*. As with her, his political sanity was often in doubt; for which we should be grateful. It was his charm, as it is her saving grace.

I recall several long conversations with the then Sir Keith, in particular one in the early 1970s, in which he said that he would love to be secretary for education but feared that if he followed his instincts in that post the teachers would march round his offices and pelt him with rotten vegetables. At the time he was secretary for social services. A decade later he was moved to education but, alas, failed to change much. The protest marches did not take place. It would have been a triumph if they had. He too proposed a voucher system, but for 5 to 16-year-olds, not toddlers as in the case of Dr Lawlor. This was derided as mad, but what is the logic of the system of open enrolment in state schools if not to attach the money to the pupil rather than the academy?

Yet Dr Lawlor is half-wrong this time. She sees local education authorities as inherently evil wasters of money and purveyors of politically-correct schooling designed to shape society. Kindergartens controlled by Labour-run education authorities would turn out what were once called in the trade "state babies". Dr Lawlor knows how to defend us from her nightmare. Give parents £700 a year in vouchers, she argues, allow them to contribute as much again from their own pockets, and the private and voluntary academies could capture the market. You can hear Mrs Shephard and Mr Blunkett in chorus: "But vouchers are so *cumbersome*".

Perhaps they are. Deployed as Dr Lawlor proposes they would constitute an elaborate mechanism for circulating money from all tax payers to middle class parents, which she implicitly rejects. A means-tested voucher system, which would help children of low-income parents, is dismissed on the ground that it "would go against the tradition in this country of providing free schooling". In effect, it would also be a levy on middle and higher income tax payers. That, however, is the point. The results of studies in the US suggest that children in poor families in city centres do better if given a "head start" in a nursery. Dr Lawlor questions the applicability of these conclusions to the general population (and indeed doubts the research methodology), but the evidence is strongest when applied to the least well off.

Here is Mr Blunkett's opportunity, as indeed Mrs Shephard's. The latter has not ruled out any system, yet. She, and he, should promise vouchers for poor families. Both could explain to their separate constituencies why a variety of school organising principles, state and voluntary, suits the mood of the times. Both might profit from Dr Lawlor's observation of the French, who educate the majority of their toddlers in state schools, but 11.8 per cent privately. The basis for their success, she says, is "a greater consensus between state, teachers and parents than in Britain – a shared confidence in a system which favours the transmission of knowledge and rigorous but distinct academic or vocational education, and reflects a long tradition of enlightened state control of schools". We can't emulate that, she argues.

We could try.

* *Nursery Choices*. CPS. £5 from 52 Rochester Row, London SW1P 1JU.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No dramatic change in UK labour market

From Mr Peter Robinson.

Sir, Simon Burgess and Hedley Rees are to be congratulated for nailing another myth about the UK labour market: that lifetime jobs have become a thing of the past (Personal View: "Jobs for life still available to many", December 9). Their research findings showing only modest changes for men in the average duration of jobs and no change for women need to be taken on board by all those interested in welfare, employment and training policy.

Evidence from the US matches that for the UK. In 1979, 30 per cent of Americans reported that they had been in their current jobs for more than eight years. In 1991, 31 per cent said they had been in their jobs for more than eight years.

So in the two most flexible western labour markets, the length of job tenure has either changed very little or not at all.

These findings go alongside other research, for example relating to the absence of significant growth in temporary employment, which suggests that changes in the structure of employment in the UK in recent years have been far less dramatic than is commonly supposed.

Peter Robinson,
research officer,
Centre for Economic Performance,
London School of Economics,
Houghton Street,
London WC2A 2AE

The democratic deficit

From Mr Brian H Gill.

Sir, I hesitate to take issue with Lord Plumb (Letters, December 8), but I believe there is a rather more important lesson to be drawn from your public-spirited Anglo-German opinion poll, even allowing for the known imperfections of such exercises.

It demonstrates the very substantial gap (should we call it a "democratic deficit"?) that exists on matters European between EU national governments and their electorates. One should also note that the one head of government that *is* in tune with this aspect of his electorate's concerns is the UK prime minister.

The "European project" has much to recommend it, and is probably essential to the future of the peoples of Europe. What the politicians appear to have lost track of is the *sensibilities* of their electorates, and until that problem is addressed the European grouping will continue to stutter rather badly.

Brian H Gill,
261 Grove Street,
Deptford Wharf, London SE8

No joy for smugglers

From Mr A W Russell.

Sir, I do not suppose many, if any, smugglers read your newspaper, but in case they do I would not like them to be misled by Mr Mike King (Letters, December 8) into thinking that there is such a thing as a Customs-free airport as far as they are concerned.

Anti-smuggling staff will continue to be active in airports and ports throughout the UK according to the level of risk posed. Fast response teams are based on site at leading ports and airports, smaller places being covered by area mobile teams.

We are confident that by putting greater emphasis on quality results in terms of seizures, and concentrating even more on drug trafficking organisations, the department's success rate will be enhanced. Indeed, we have set targets to prove it.

A W Russell,
deputy chairman,
HM Customs and Excise,
New King's Beam House,
22 Upper Ground,
London SE1 9PJ

VAT on fuel: democracy and penalties

From Mr Joseph Wright.

Sir, Is democracy really the winner, as is stated by William Bakewell (Letters, December 9) in response to the government's defeat over an increase in VAT on domestic fuel?

Perhaps it is when one considers that the majority of the electorate would not seem to support the move.

However, as far as parliamentary democracy is concerned can we be so sure? Did every member of all the opposition parties vote according to their conscience, or did they vote politically to bring about a humiliating defeat on the government?

Equally, did all the unrebellious Conservatives vote with the government for the former reason or were they simply trying to prevent such a humiliation?

If political motives did indeed determine how MPs voted, then democracy has not been served.

The outcome in reality acts merely as an example of how enormous political power can be wielded by small minority groups or parties whatever electoral system is prevalent when governments rule through coalition or small minorities.

Joseph Winner,
Philips Communication and Security Systems,
Cromwell Road,
Cambridge

From Ms Sarah Lees.

Sir, I am bemused by the furore over VAT on fuel.

I thought public interest required a reduction in unnecessary consumption of non-renewable fossil fuels and imposition of VAT was to serve as an incentive for householders to reduce consumption.

Trade and industry secretary Michael Heseltine has claimed a reduction in price in real terms of gas through privatisation, which suggests fiscal penalties are even more necessary now.

Have I got it wrong?

Sarah Lees,
Cockshoot Farm,
West Wycombe, High Wycombe,
Buckinghamshire HP14 3AR

Highest and lowest

From David J. Critchley.

Sir, Frank Blackaby (Letters: December 7) asks what the ratio between the highest and lowest paid members of a company should be. It may be of interest to know that in 1915 Admiral Jellicoe, who was described as the one person who could lose the war in an afternoon, was paid £1,825 a year, while an Ordinary Seaman earned £12 3s (£12.15) a year – a ratio of 1:150. By 1917, the ratio had dropped to 1:105.

David J. Critchley
46 Station Road,
Winslow,
Buckingham,
MK18 3EH

Mandatory institutional voting would curb executive pay excesses

From Ms Anne Simpson.

Sir, The belated cabinet concern over excessive executive pay is to be welcomed. But if institutional investors are expected by the cabinet to monitor and supervise it, they will have to be given the tools to do the job. Expecting executives themselves, serving as non-executives on other company boards, to exercise restraint is unrealistic because of their conflicts of interest. Turkeys will not vote for Christmas.

The solution lies in enabling institutional investors to exercise appropriate supervision over those whom they elect to manage company assets. At present, these investors cannot vote on the total remuneration package for directors, but only part of it (the rather arbitrary elements like share options, compensation and five-year contracts). But voting on remuneration packages will not be enough unless the principles of integrity, accountability and openness which Cadbury set out for companies are also operated by City fund managers who exercise (or not) votes on behalf of pension scheme members and insurance policy holders. To keep the Christmas fowl in mind, Cadbury sauce for the company goose should also be sauce for the investment manager gander.

Where should John Major begin unravelling these conflicts? The first step would be to oblige institutions to cast their votes in the first place. At many companies, most proxy votes are filed in the waste paper bin. A minor amendment to the Pensions Bill making voting mandatory would catch the majority of institutional investors and would also bring UK pension funds in line with their American cousins, which are already under such an obligation in respect of their shares in British companies. But will such votes be cast in the interests of pension scheme and insurance policy holders interests? To ensure that institutions are up to the mark on this they should make their voting policy public (as Cadbury recommended, but most have ignored) and keep records of their voting activity which are open to inspection by the beneficiaries/policy holders.

Unless the government digs a little deeper into the conflicts of interest, a worthy reform in favour of voting on directors' pay could simply be used to engineer a mandate for further unacceptable and unjustified pay rises.

Anne Simpson,
Pensions & Investment Research Consultants,
19-21 Clerkenwell Close,
London EC1R 0AA

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday December 13 1994

A new target for inflation

Sterling's expulsion from the ERM on September 16 1992 was followed by a typically British improvisation of a new framework for monetary policy. The time has now come to put that framework on a longer-term basis.

Yesterday's figures for producer prices show why the counter-inflationary framework needs to be fortified. Output prices for manufactures were up only 0.1 per cent in November. But strong inflationary pressure is revealed in the 2.4 per cent jump in input prices over the month and the 7.9 per cent over the year.

The more credible the framework, the easier it will be to hold the line on output prices. Credibility has not yet been achieved, however, as is shown by the gap between yields on index-linked and conventional gilts, now running at slightly over 4¼ percentage points. Similarly, yields on gilts are 1 percentage point above those on D-Mark bunds.

The current framework has three principal elements: a target for the retail price index (less mortgage interest payments) of 1-4 per cent, falling to the lower half of the range by the end of the parliament; the Bank of England's inflation report; and the publication of the minutes of the monthly meetings between the chancellor of the exchequer and the governor of the Bank of England.

This framework suffers from four defects: first, the chosen inflation index includes changes in indirect taxation, to which monetary policy should not normally respond; second, the range of 1½ percentage points for the end of the parliament is too narrow to be consistently hit, given current knowledge, with potentially serious consequences for credibility; third, there is no target beyond the end of the parliament, within less than two and half years, while the lag between policy action and outcome is at least two years; and, finally, many financial contracts have a much longer maturity than the life of a parliament, which means the target's duration is self-evidently too short.

The solution to the first problem is to switch to a target for what the Bank of England calls RPIY, which excludes indirect taxes. The solution to the second is to move to a range of 3 percentage points once more, but at a lower level, to reflect the fact that the annual rate of inflation is now substantially lower than the 4 per cent or so of late-1992. A sensible range would be 0-3 per cent.

The solution to the third and fourth problems is to challenge the opposition to reject the proposed new target range. That would put Messrs Brown and Blair on the spot, since refusal would imply that they are inclined towards higher inflation. Ideally, however, they would accept it. Certainly, it would be in their interest to do so, since they too need low long-term interest rates. If Labour were to accept, the UK would possess a cross-party consensus on the long-term monetary framework. It would have reached that destination in a typically muddled way. But at least it would be there.

China and 1997

It is in everybody's interest that the UK's handover of Hong Kong should be a success. Britain needs a dignified exit from its colonial past: China requires a prosperous and peaceful Hong Kong if it is eventually to reintegrate Taiwan. As 1997 gets closer, China will increasingly be calling the tune. The question is how it plans to use that influence. Last weekend's meeting in Beijing of China's preliminary working committee, which is examining details of the handover, was not encouraging.

China plans to install a provisional Legislative Council in 1997 in place of the body elected next year under Governor Chris Patten's reforms. It has now made clear it intends that council to run for at least a year. It is also prevaricating about the shape of the court of final appeal which is to be the territory's supreme legal authority after 1997. This is unsettling, not only because Britain thought the arrangements were already agreed. Without some guarantee of judicial continuity, Hong Kong's future looks deeply uncertain.

China will damage its own interests if it lets rancour over electoral reform impede practical progress on the handover arrangements. There is a pressing need to ensure that Hong Kong can remain an economic and social success after 1997. Civil servants need to be sure their careers will continue after that date. The business community needs to know that the provisional LegCo will not be used to impose capricious and repressive legal changes that will undermine confidence in the economy.

To prevent a legal vacuum, China should agree quickly to the establishment of the court. It may be unable to go back on its LegCo plans. But when Chinese officials meet their British counterparts in London this week, they could at least make a categoric commitment to limit the scope of the provisional council's mandate to passing essential legislation, rather than allow it to enact more far-reaching changes. For its part Britain should leave the door as wide open as possible to practical co-operation, allowing formal contacts between government officials and the preliminary working committee and taking more care to consult on policy.

One problem is China's apparent obsession with the notion that, since it will not recognise the Legislative Council elected under the Patten reform, it will also not recognise any laws it passes. That only makes for maximum uncertainty. A more constructive approach would be to work for a good showing by pro-mainland parties in next year's elections.

The world would then see that Hong Kong's Chinese citizens did not all view 1997 as a threat. Many are deeply patriotic and would welcome reversion to mainland rule were it not for their fear of the Communist party. Beijing cannot succeed in this enterprise unless it tries harder to win the hearts and minds of the Hong Kong people.

Bravo, Jacques

Mr Jacques Delors' decision not to stand for next year's French presidential election was a brave and realistic move. Although he faces criticism from the Socialist party for handing a near-certain victory to the conservatives, it is the right decision for Mr Delors and for France. If it ends up helping to clarify the French debate about widening and deepening European integration, the decision could turn out, too, to be the right one for Europe.

The French head of state wields far more power than most European heads of government. Mr Delors' trump card would have been the breadth of his electoral appeal. Nonetheless, the balance in his decision seems to have been tipped by the fragmentation of the Socialist party, combined with his own weariness after 10 years at the European Commission. Mr Delors is probably right to judge that, had he won the presidency, he would have been unable to assemble a working majority in the National Assembly; his role in economic and social reform, as well as foreign and defence policy, would have been shackled.

Even assuming a new parliamentary election, Mr Delors would have been forced into an uncomfortable "cohabitation" both with the Gaullists and with his own party, in which he lacks a strong power base. None of this would have been conducive to decisive government. A President Delors would have had an agenda, but little chance of carrying it through.

Mr Delors' step inflames the Socialists' self-inflicted wounds, but it gives the party a better long-term chance of finding a younger leader. As for the right, the benefits need to be weighed against the disadvantages that may ensue from intensified in-fighting between the two main presidential contenders, Mr Édouard Balladur and Mr Jacques Chirac.

Both rivals support European integration in co-ordination with Germany. Compared with Mr Delors, however, they ascribe to the nation state a stronger role in European affairs. It is thus almost certain that President Mitterrand's successor will adopt an agenda for reforming the EU's institutions and enlarging its membership that falls well short of the federal ambitions of Mr Delors and Chancellor Helmut Kohl. By vacating France's political middle-ground, Mr Delors' decision could indirectly encourage a regrouping of the French centre-right with more convincing policies for combining national and European decision-making than those at present espoused by the Gaullists alone.

By steering through the Single European Act and supporting Mr Kohl over German unification, Mr Delors has already decisively aided European integration. If his withdrawal from the race helps bring about more coherent European policies on the right, Mr Delors' decision may eventually be seen as one more contribution to the European cause.

Delors' decision creates problems for the French left and right, says **David Buchan**

Tilt in the balance of power

More than 9m French people turned on their television sets on Sunday night to hear Mr Jacques Delors announce that he would not run for the Elysée. The level of interest showed how conscious they were of the consequences this would have for the presidential election and possibly for French policy towards Europe.

"This is not an easy decision to take," said the European Commission president, who had led all other possible presidential candidates in the polls over recent weeks. Having said he wanted a break after 50 years of work, and that he did not want office for office's sake, he concluded: "I will without doubt be criticised by certain people for an attitude that is not frequent in political life."

In fact, his decision won praise from many commentators, with the Libération newspaper describing him as "the best president France never had", and gained backhanded compliments from the nationalists on the extreme right and left for his honesty in recognising there was no pro-European majority in the country to elect him.

However, by "certain people" Mr Delors really meant his fellow Socialists. Most understood Mr Delors' personal reasons for not wanting another seven years in harness, though some noted that General de Gaulle was almost Mr Delors' age of 69 when he became president. What dismayed them was the openness of his analysis that winning the Elysée would be a pyrrhic victory. No Socialist president would have a hope of converting the present large conservative majority of 480 out of 577 parliamentary seats into a majority and a government he could work with.

Inevitably, many Socialists see this public admission, if not as a stab in the back, then as queering the pitch for a future Socialist presidential candidate. One who might fill that slot is Mr Jack Lang, former education and culture minister.

Mr Lang said he could not understand Mr Delors' reasoning. "Jacques Delors would have been able to create a majority for his actions and ideas which would have come from the very depths of society." Even if this were true of Mr Delors, however, it is not so of Mr Lang, or anyone else in the Socialist party.

The right's problem with Mr Delors' decision is that it removes their electoral need for unity. The plan by the ruling coalition, of the Gaullist RPR and centre-right UDF parties, to hold US-style primaries to select a single candidate for the

Millions watched Delors (right) decide not to run against Chirac (top left) and Balladur for the French presidency

Elysée had already collapsed. Now so will the need for unity on which Prime Minister Edouard Balladur has, in particular, based his campaign strategy against his fellow Gaullist, Mr Jacques Chirac.

To offset the greater hold that Mr Chirac has over the RPR party machine that he created and led for nearly 20 years, Mr Balladur has assiduously courted the UDF. There are more UDF members in his government than RPR ministers, and he has tried to cater to the UDF's centrist, pro-European susceptibilities. But to the dismay of the Balladur camp, the UDF spokesman said yesterday that "circumstances are becoming more favourable for the UDF to advance its ideas in the presidential campaign".

This could presage presidential bids by ex-President Valéry Giscard d'Estaing or his former prime minister, Mr Raymond Barre, thus driving a wedge into the constituency sought by Mr Balladur.

The reason for the UDF's desire to speak up is its fear that, with the battle now being fought on the right, the main Gaullist contestants may start listening to "the siren voices of the anti-Europeans", as Mr Jacques Barrot, a centrist, put it yesterday.

In fact, both Mr Balladur and Mr Chirac have reasons for not wanting to make Europe too much of an issue.

The prime minister recently criticised Euro-federalism as outdated, but this was partly a pre-emptive move to mark his distance from Mr Delors. Given the impossibility of saying anything on Europe that would please UDF Euro-enthusiasts and RPR Euro-sceptics equally, Mr Balladur would probably prefer to say nothing.

Without a real UDF following, Mr Chirac has less of a balancing trick to perform. Eurosceptics are part of his natural catchment area. But he will want to remove competition for their votes by persuading Mr Philippe de Villiers, the anti-Maastricht conservative, to stay out of the race.

But whatever their inclinations, the main candidates will probably have Europe thrust upon them. France assumes the presidency of the European Union from January 1 right through the campaign. Governments holding the EU's rotating presidency can usually get away with – and sometimes must adopt – a position of bland neutrality on EU controversies. But it is hard to see French politicians – particularly Mr Balladur's rivals and opponents outside government – keeping their lips buttoned for so long.

Mr Philippe Séguin, the pro-Chirac national assembly president, can be counted to speak up on Europe, as may Mr Delors himself in support of whatever candidate the Socialist party chooses.

Increasingly unavoidable, too, is the EU's looming constitutional conference in 1996. France's EU partners, particularly Germany and the UK, have begun to formulate their views on reforms of institutions and policies, and are impatient to know what Paris thinks.

The ruling conservatives who are now likely to produce the next French president are caught in the middle. They broadly share UK government views on institutions, believing that the inter-governmental council of ministers should hold dominance over the supranational bodies of Commission and parliament. And they, conversely, dislike the institutional federalism avowed by some leading Christian Democrats.

But on new policy initiatives they see little common ground with the UK, except in defence, while converging closely with Bonn on a wide range of policies.

Clever technicians such as Mr Alain Lamassoure, France's EU affairs minister, have been working hard on compromises. Out of Mr Lamassoure's fertile mind have come proposals to reduce EU competences, satisfying the UK, while at the same time giving the European Parliament greater co-decision powers on remaining legislation, pleasing the Germans.

He has also proposed a novel overhaul of the Council of Ministers, turning it into a directorate on internal policy, which would award bigger states such as Germany, the UK and France greater relative say, and giving it a powerful secretary general to steer external policy.

But these are the sort of filigree compromises that will get shot through when the presidential candidates start firing off on Europe.

What does France propose for 1996? Clearly its EU partners want a straight answer. But a presidential campaign is the wrong time to ask for one.

Dream ticket's demise

Lionel Barber on the let-down felt by Euro-enthusiasts

Mr Jacques Delors' decision against running for the presidency of France says a lot about the man, his age, his family commitments and his thin skin. But it may say more about the fragile state of public opinion in France toward Europe.

As president of the European Commission since 1985, Mr Delors has been a driving force in Franco-German efforts to build an "ever closer" European Union. The single European market, economic and monetary union, the Maastricht treaty: each bears his indelible mark. Now, with the Elysée seemingly within reach, Mr Delors has flinched.

The disappointment of French socialists is nothing to compare with the sense of let-down felt by European supporters of faster, deeper integration. Mr Delors was their champion. They hoped he would form a "dream ticket" with Chancellor Helmut Kohl of Germany to dominate the 1996 intergovermental conference that will review the Maastricht treaty.

"When I first heard about his decision, I felt an explosion of anger," says a long-time Eurocrat and friend of Mr Delors. "He could have made this decision three months ago. Now I am afraid we will have to go slower in 1996."

In time, more sober conclusions may be drawn. The absence of one man, even a towering figure such as Mr Delors, will not alter France's calculation that Germany is its most important ally; or that French influence, especially over Germany, is best projected through a united Europe. The question is: what type of Europe?

When Mr Delors leaves Brussels in January, his successor will be Mr Jacques Santer, the Luxembourg prime minister. Mr Santer sees himself as consolidator, not a promotor of new ideas in the mould of Mr Delors.

For the past decade, the Delors-Kohl-Mitterrand troika has driven forward the plans for European monetary and political union, sweeping aside the doubters led by Mrs Margaret Thatcher, former UK prime minister. Yet the end product – the Maastricht treaty – was an uneasy compromise that fell far short of the ambitions of its promoters.

Mr Delors still chides himself for being caught up in the planning for a single European currency while the British sabotaged provisions for "political union" in Europe – the German-led push for greater powers for the European parliament, progressive elimination of the national veto in the Council of Ministers, and a common defence policy.

Yet Mr Delors would be the first to admit that the British were assisted in their efforts by the French. It was Mr Pierre de Boissieu, now France's ambassador in Brussels, who devised Maastricht's "pillar system" that divides European decision-making into different areas: some such as the common agricultural policy are decided at supranational level; others such as foreign policy, justice and immigration affairs are subject to looser intergovernmental co-operation.

> The exit of Delors lessens the prospect of a strategic bargain between France and Germany in 1996

Inside the European Commission, contempt for the pillar system is rife. A senior official describes justice ministers' efforts to reach agreement on issues such as tackling organised crime as a "sham".

Another official involved in the common security and foreign policy says nothing of substance has been accomplished, beyond the establishment of an EU presence in the heavily shelled Bosnian town of Mostar.

"There is trench warfare between the Commission and the member states," he says.

Euro-activists hope that 1996 will end the battle over national and supranational responsibilities, seeing the role of the inter-governmental conference as akin to the Philadelphia convention of 1787 that created the US constitution. Eurosceptics vow to roll back Maastricht, mainly by depriving the Commission of its main power, the sole right to propose legislation on areas of EU competence.

France stands somewhere in the middle, worried about following Germany into political union, but equally wary of the Thatcher-Seguin model of Europe as little more than a free trade area.

Mr Delors' answer is an inner circle of integrationist-minded states led by France and Germany. This hard-core would be committed to common economic, political and security policies inside a European Union enlarged by the former communist countries of central and eastern Europe. Those unable to join the inner core at an early date (possibly Italy or Spain) or those unwilling (possibly the UK, Denmark or Sweden) would be free to catch up later.

Mr Delors' views are broadly similar to the ideas put forward in a recent analysis by the ruling CDU-CSU party in Germany. Together they represent an act of faith in proclaiming the virtual end of the nation state and

an attempt to prevent the paralysis of the Union's decision-making as it prepares for the next round of enlargement in eastern Europe.

The exit of Mr Delors from France's presidential race diminishes the prospect of a strategic bargain between France and Germany in 1996 on political union. But Euro-sceptics will find that his absence does not diminish the powerful forces supporting European co-operation and integration.

First, there remains strong support for establishing a single European currency by the end of the decade. Second, as the UK has grasped, US political and military disengagement from Europe is forcing consideration of new forms of defence co-operation. Third, an unstable Russia may accelerate the integration of eastern Europe into the Union, forcing a streamlining of decision-making and a corresponding erosion of national sovereignty.

Mr Delors' withdrawal may have removed Mr Kohl's natural ally in this programme. But Germany's chancellor, who sees Europe's future as a matter of war and peace, will not easily be rebuffed.

OBSERVER

Lomax 'in transition'

■ Just when we thought that Britain's brain drain was coming to an end, another high-flier jumps ship. Worse still, she is one of the few women economists to make any mark in the upper reaches of Her Majesty's male-dominated Treasury. Rachel Lomax, currently head of the cabinet's economic secretariat, is to take up a well-paid job at the World Bank.

Lomax, 49, is off to Washington in the new year to be a country director in Wilfrid Thalwitz's Europe and central Asia division, with responsibility for bank programmes in three "economies in transition" – Romania, Bulgaria and Macedonia – as well as Portugal and Turkey.

The recent cuts in the size of the Treasury and the increasing power of the Bank of England may have had something to do with her decision.

She'll be able to forget such trivia as VAT on fuel and turn her mind to a far more challenging task: the historic economic transformation under way in eastern Europe.

Even so, for a woman who had been tipped as a future permanent secretary, it seems a surprise.

So why is she moving? The World Bank has been struggling to boost its thin complement of senior female executives, so much so that its job advertisements now seek well-qualified "women and men" in that order. Could Lomax, a former deputy chief economic adviser to the UK Treasury, be in the running to take over from Thalwitz when he retires? If so, could this herald the return to the UK of another Treasury exile: John Odling Smee, now the IMF's point man on Russia?

Give your all

■ Short of ideas for this season's perfect gift? The Christmas catalogue from Dallas-based retailer Neiman-Marcus can perhaps retrieve the situation. How about an electric gondola for a swing round the nearest canal? The modest $7,400 price-tag includes a removable cassette player, ice bucket and an emergency paddle.

Or there's the scaled-down but live three-foot-high donkey – to which the retailer attributes an "affectionate nature" – at anything between $1,300 and $9,000, depending on sex and pedigree.

Perhaps the 300-gallon elephant-shaped aquarium for $120,000 grabs your fancy.

Just perfect for an elephant-shaped fish.

Toeing the line?

■ Spotted in Westminster yesterday. Derek Conway, a government whip, hobbling along on crutches with his left foot in

'If you didn't win the lottery, how come you smell of money?'

plaster following a weekend accident. Tory Eurosceptics are claiming he shot himself.

Winning touch

■ Britain's tabloid newspapers are hot on the scent of the £18m national lottery winner.

Yesterday's hunt was focused on Ravensthorpe in Dewsbury, West Yorkshire, where a house was under continuous surveillance although neighbours said the occupant was in Portugal.

The only clue so far is that the winner is the 1,500th richest person in the UK, according to BusinessAge Magazine – which likes to think of itself as Britain's answer to Forbes magazine, the self-styled capitalist tool. Unnaturally, the erratic mag failed for once to name the lucky winner.

Frauned upon?

■ Whew, foreigners have restored their two-person beachhead on the board of CS Holding, the financial services group built around Credit Suisse.

Since the departures earlier this year of John Hennessy, former chairman of CS First Boston, and Hans Jörg Rudloff, only Allen Wheat, the new CS First Boston boss, interrupted the solid ranks of yodellers.

Now Phillip Colebatch, the Australian former finance director of CSFB in London who moved to Zurich headquarters 15 months ago, has picked his way up the ice.

Mercifully, the board's operating language is English, not Schwyzerdüütsch. "We are becoming much more liberal as we continue to project ourselves as a global group," CS says.

Whatever next – a woman?

Productive

■ Audio on at last at Granada Television. The Independent Television Commission will this Thursday decide what action to take over repeated violations of the rules on "undue prominence" of products on the Granada programme This Morning.

Just in time for the meeting, Granada has announced a vacancy for a Compliance Adviser – someone whose job it will be to ensure that Granada's programmes comply with ITC rules.

The new adviser's job will cover everything from *Coronation Street* and *Prime Suspect* to *Cracker*, World in Action and This Morning. Particularly This Morning.

All fine and dandy. But it may be too late; Sir George Russell, the ITC chairman, has warned he is considering "statutory action" – which could include a different sort of fine amounting to up to 3 per cent of Granada's qualifying income of around £150m.

French lesson

■ An Englishman was explaining to a Frenchman and his wife what the British mean by *sangfroid*. "It's when you come home early, discover your wife in bed with your best friend, and slip away unnoticed to return at your normal time," he said.

"That's not *sangfroid*, that's *savoir faire*," the Frenchman protested. "*Sangfroid* is when you interrupt them, but invite them to carry on."

"Rubbish," exclaimed his wife. "That's *laisser-faire*. *Sangfroid* is when your husband invites you to carry on and your lover can."

FINANCIAL TIMES
Tuesday December 13 1994

Italian lira falls to new lows on political fears

By Robert Graham in Rome

The lira fell to a new low against the D-Mark yesterday, as confidence in the Italian currency was shaken by concerns about the country's public finances and increasing political instability.

There was uncertainty about the outcome of the Milan magistrates' interrogation, due today, of Mr Silvio Berlusconi, the prime minister, in an atmosphere of heightened tension between government and judiciary.

The questioning concerns the alleged payment of bribes to members of the Guardia di Finanza, the financial police, while Mr Berlusconi was running his Fininvest business empire. Mr Berlusconi said last night he was convinced the questioning would establish his innocence and that he had no intention of resigning.

Financial markets were also concerned that the weak and divided rightwing coalition was increasingly unlikely to pass a convincing 1995 budget through parliament. The International Monetary Fund, which last week concluded a routine review, is understood to have reached the same conclusion.

The lira fell to L1,040 against the D-Mark, from a midday Bank of Italy fixing of L1,036, and L1,032 on Friday. Share prices on the Milan bourse fell more than 3 per cent and Italian government bonds also weakened. In recent days, government ministers have admitted that the 1995 budget objectives have been rendered impossible by higher than anticipated interest rates and additional unforeseen costs. These include some L10,000bn ($6.2bn) to cover flood damage by the disastrous November floods in Piedmont.

But the government's calculations have also been undermined by removing pensions reform measures from the budget to head off a general strike. The coalition has failed to hold together on pensions and last week the populist Northern League pushed through further amendments which will burden the treasury.

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Parliament is due to approve the 1995 budget by the end of the year. But prominent commentators like Professor Mario Monti, due to become an EU commissioner in January, have warned that immediate corrective measures will be necessary. To keep the public deficit close to the planned 8 per cent of GDP, a minimum of L20,000bn will have to raised – almost certainly through fresh taxes, which Mr Berlusconi has opposed.

A new twist in the confrontation between Mr Berlusconi and the judiciary came yesterday with the resignation of Mr Arnaldo Valente, a senior judge heading a division of the Italian appeals court. He resigned in protest at the public criticism directed at him following his ruling that an inquiry by Milan magistrates into corruption in the Guardia di Finanza must be moved to nearby Brescia to avoid a potential miscarriage of justice. The Guardia di Finanza inquiry centred on a widespread practice of the police receiving bribes from companies in return for benign tax assessments and favourable inspections of balance sheets.

When announced on November 30, the decision was seen as an attempt to slow down the inquiry, as Brescia lacked the personnel to take on the investigation. The transfer contributed to the resignation last week of Mr Antonio Di Pietro, the country's best known magistrate.

Mr Valente claimed in his resignation letter that he had been victimised by political commentators for a normal judicial decision. But over the weekend, press reports said the judge had a son working in the Guardia di Finanza and that he should not have handled the case.

The atmosphere was further poisoned by revelations of a row between Mr Alfredo Biondi, the justice minister, and magistrates in Palermo, Sicily. Palermo magistrates claimed Mr Biondi had sent inspectors to gather information for his own purposes about sensitive cases they were pursuing involving links between business and the Mafia.

Plan to increase capital held by UK banks

By Norma Cohen in London

British banks will have to hold additional capital to cushion them against market movements, such as rising interest rates, under proposed rules intended to bring the UK into line with a new European directive.

The proposals, drawn up by the Bank of England and due to take effect in January 1996, will set tougher standards than those required by Brussels in some areas to ensure that banks remain solvent under adverse trading conditions.

The move is a strong rebuff to the banks which have warned they risk losing business to French and German competitors, whose regulators may not take such a tough stand.

Yesterday the British Bankers Association expressed concern about the proposals, released in a consultative document, saying the "super-equivalent" demand could leave them at a competitive disadvantage.

However, Bank officials made clear that they would not weaken their plans simply in response to concerns about competition.

"We are certainly not in a Dutch auction on capital requirements," one official said.

However, the Bank stressed that many institutions would have an unchanged capital requirement overall, and some may even have lower requirements. This is because the European directive relaxes capital requirements for certain types of bank investment.

One of the key rules would set much higher requirements than sought by the directive for UK banks holding equities issued by companies outside the European Union or Group of Ten leading industrial countries. Thus, UK banks with portfolios of say, emerging markets equities, or of Australian equities, could be hit harder than their Continental counterparts.

The consultation period will end early in the new year and a final version of the rules will be issued by next spring.

Bank officials signalled that Brussels may modify its directive if it emerged that similar capital adequacy guidelines from the Basle committee on banking supervision currently under discussion were "superior".

The proposed rules will allow banks to "net" their exposures so that an institution which both lends to and borrows from a counterparty will only need to hold capital against the difference. The EU is said to be considering a separate directive on "netting" which will spell out how risks may be laid off against each other more easily.

Some bankers said that the main cost of the directive would be the requirement for investment in computer systems.

THE LEX COLUMN

Stores of value

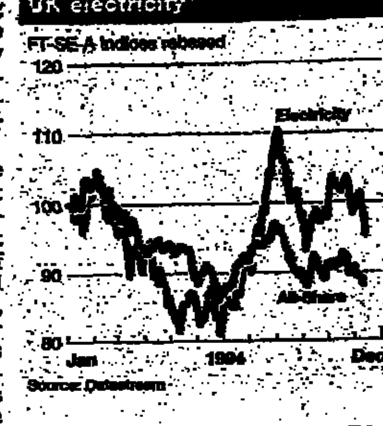
The combination of warm weather, two budgets and a rise in interest rates is not auspicious for UK retailers, especially in the vital trading weeks leading up to Christmas. No wonder that the de-rating endured by the sector over the past year has accelerated, with stores' shares underperforming the market by nearly 6 per cent in the last three weeks.

Is the gloom overdone? To the extent that it is caused by fears about Christmas trading, the answer is probably yes. There is plenty of time left for a last-minute shopping spree. If retailers can hold their nerve and resist the temptation to slash prices, there is no reason for this December to be unseasonally dire – yesterday's upbeat prognosis from Allders supports this. Longer term worries abound, though. Not least, there is the fear that the retail environment has deteriorated now that inflation has dropped. Double-digit growth in revenues becomes difficult to achieve even when volume growth is at respectable single figure levels.

But the signs are that the sector's strongest companies, with high market shares and up-to-date information technology, are coping well. They are generating plentiful cash. Moreover, earnings growth could even beat that of the market as a whole next year. Yet the sector, excluding Marks and Spencer, has shed its traditional premium rating. Weaker retailers have been punished by investors – Kingfisher shares are down 43 per cent over the past year. By contrast a re-rating of the stronger companies is overdue. Shareholders could find some good yuletide value in the sector.

FT-SE Index: 2943.4 (-33.9)

UK electricity



Control premiums

The Morgan Stanley/Warburg merger talks have raised the question of when a "control premium" should be paid in mergers. Some argue no premium is payable because this will not be a takeover. Others think that, since Morgan Stanley shareholders will hold two-thirds of the combined group, Warburg shareholders should receive a premium. There is also the question of whether minority shareholders in Mercury Asset Management, Warburg's 75 per cent-owned subsidiary, should receive a premium.

The case for a premium in a cash takeover is clear: the bidding company expects the takeover to yield benefits, so it is reasonable that the target's shareholders receive some of these via a premium. MAM seems to fit this description. If Morgan Stanley/Warburg intends to buy out the minority so MAM can be merged with Morgan Stanley's own fund management arm, a premium will be needed.

The opposite extreme is that of a share swap between two equally-sized groups. The idea then that premiums must be paid to both by giving each group of shareholders a larger share of the combined entity is nonsense. Their reward, rather, comes from enjoying the fruits of merger – provided it works. Does this logic apply when one company is twice the other's size? There are two reasons why it may not. First, in such a share swap, the smaller company's shareholders will enjoy only a third of any extra value created through the merger. Second, by merging, the smaller group loses the option of selling itself for cash. In such cases, a modest premium could be the answer.

UK electricity

Large dividend increases yesterday by Eastern Group and Northern Electricity did nothing to reverse the sector's recent underperformance. Northern's 30 per cent dividend rise demonstrates the benefits of buying back 10 per cent of its shares: the underlying increase was only 16 per cent. Eastern's pay-out is up 25 per cent, a tribute to its thorough cost cutting. Both regional electricity companies profited from moves away from distribution. This core business will suffer earnings decline when tougher price caps are implemented next year. Northern's focus on deregulated sales to customers buying more than 100kw of electricity was vindicated by a sharpincrease in profits from such sales. Eastern also saw profit from deregulated sales jump while power generation and gas supply made contributions too. Eastern says that in two years more than a quarter of profits should come from businesses other than distribution.

Both companies are committed to reducing dividend cover to two times. Together with growth in unregulated income, this leaves scope for further dividend growth, despite next year's lower distribution profits. Politics has hurt electricity shares – Northern is the exception, due to bid speculation – but any windfall profits tax from a future Labour government remains relatively distant. Indeed, recs could anticipate such action by giving more cash to shareholders now. They also offer more immediate upside from next year's National Grid demerger. The recent sell down looks over done.

German equity culture

German private investors are almost pathologically disinclined to invest in equities, so any step to reverse this is welcome. Reducing the nominal value of shares from DM50 to DM5 – a move now under active consideration by Allianz and Dresdner Bank – will help. Though it will not alter the fundamental attractions of German shares, it will slash their high market prices. Dealing will become less unwieldy as a result.

Only 6 per cent of German households own shares, compared with more than 20 per cent in the UK or US. Share splits will not make share-owning popular overnight. Two factors point to changes ahead. First, the past year's poor performance of bonds may drive more investors into equities. Second, the forthcoming Deutsche Telekom privatisation will require the government to whip up enthusiasm for shares. Professional investors will not swallow the whole issue and the government may need to stimulate demand with tax breaks for equities.

German companies could also do more to create value for shareholders. Allianz, though at the vanguard of the move to lower denomination shares, is behind on the shareholder value front. The DM20bn it has spent in the past four years on acquisitions have probably earned less than if the cash had been left in the money market. Even allowing for its deep discount rights issues, Allianz's shares are down nearly a quarter against the market over the period.

Franc falls on Delors' decision

Continued from Page 1

Mr Delors' departure. "We have lost our best player and so we have a difficult match to play," said Mr Henri Emmanuelli, the party leader. The French press was more pessimistic. "Goodbye Delors, Ciao the left, Hello Balladur-Chirac," was the headline in the daily le Parisien.

Most economists said the French franc would remain vulnerable in the run-up to the elections and that the spread between French and German bonds could increase to between 70 and 75 basis points from about 55 basis points at present. But they said the risk of a sustained and strong assault on the French currency and bonds was limited.

Ms Esther Baroudy, chief economist at Crédit Lyonnais, cited the strong fundamentals of the French economy, which has recovered from recession more quickly than expected this year and is forecast to grow by about 3 per cent in 1995. Inflationary pressures remain minimal, as demonstrated by yesterday's announcement of stable consumer prices in November, giving an annualised increase of 1.6 per cent.

Major signals move on EU referendum

By Kevin Brown, Political Correspondent

Mr John Major, the British prime minister, yesterday moved the government substantially closer to announcing the offer of a referendum on further integration of the European Union.

Mr Major told the Commons in a statement on the EU summit in Essen: "I have indicated that the circumstances might be appropriate to have a referendum, and if they are, we will."

Officials said the prime minister's statement was in line with previous Commons comments recognising that a referendum might be appropriate.

However, Mr Major's comments amount to his clearest endorsement yet of the widespread view on the Conservative backbenches that a referendum has become inevitable before further constitutional change.

His statement followed strong support for the principle of a referendum on the outcome of the 1996 inter-governmental conference from Mr John Prescott, the deputy Labour leader.

Mr Prescott told BBC radio that Labour would "definitely" support a referendum if the conference resulted significant constitutional changes.

He stopped short of committing the party to a referendum in any circumstances, but in Labour's warmest declaration of support so far, he said: "An issue we think is of constitutional significance should be put fairly to the people - have the debate and a referendum."

The cabinet remains split on the issue, with pro-Europeans such as Mr Kenneth Clarke, chancellor, and Mr Michael Heseltine, trade and industry secretary, in a rare alliance against a referendum with Mr Michael Portillo, the Eurosceptic employment secretary.

However, there were signs that Mr Douglas Hurd, the foreign secretary, is preparing for a shift of policy. Officials said he was not thinking "beyond Christmas."

Backbench divisions on the issue re-emerged at a meeting of the right wing 92 group at which several MPs opposed a referendum unless the government commits itself to a Eurosceptic approach to the intergovernmental conference.

Sir Edward Heath, the former prime minister, said Mr Major should rule out a poll. He said: "The only way forward is for him to show he is in command."

FT WEATHER GUIDE

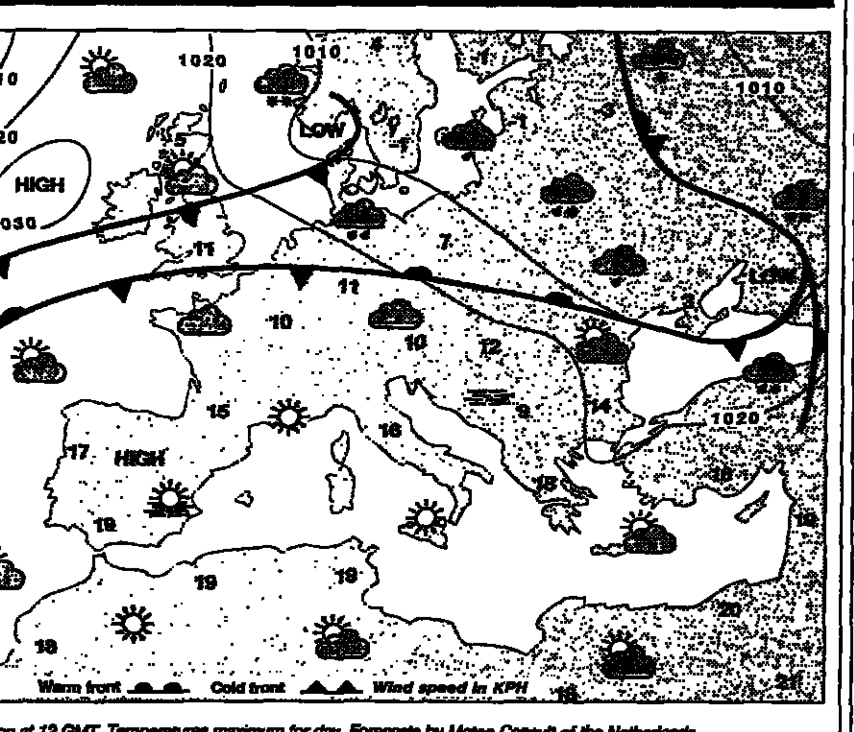
Europe today

Surges of colder air from the North Atlantic will push moist and unseasonably mild air over the continent southward. That will cause thick cloud and occasional rain or drizzle to form over the UK, the Benelux, Germany, much of eastern Europe, and southern Scandinavia. Cooler air will spread into Scotland and Denmark.

The Norwegian mountains will have snow, while further inland clear and dry conditions will prevail. From central France to the former Yugoslavia, conditions will remain mainly cloudy with maximum temperatures about 10C. The Balkans will have fog and sunshine. Conditions in the eastern Mediterranean will improve. Keen daytime frost and snow will persist in western Russia.

Five-day forecast

Western Europe will have cooler conditions, but still seasonable temperatures. The northern Alpine regions may have snow. Scandinavia and Russia will remain wintry with widespread frost. By the end of the week, a strong westerly air stream will bring western Europe's cold spell to an abrupt end.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	24
Accra	sun	31
Algiers	sun	19
Amsterdam	rain	12
Athens	sun	18
Atlanta	fair	14
B. Aires	shower	27
B.ham	rain	11
Bangkok	fair	33
Barcelona	sun	17
Beijing	fair	2
Belfast	cloudy	7
Belgrade	cloudy	13
Berlin	rain	10
Bermuda	fair	24
Bogota	fair	18
Bombay	sun	32
Brussels	rain	12
Budapest	cloudy	13
C.hagen	rain	8
Cairo	fair	20
Cape Town	sun	29
Caracas	fair	29
Cardiff	rain	12
Casablanca	sun	18
Chicago	fair	1
Cologne	rain	11
Dakar	sun	27
Dallas	fair	15
Delhi	sun	21
Dubai	fair	25
Dublin	rain	9
Dubrovnik	fog	19
Edinburgh	shower	7
Faro	fair	19
Frankfurt	rain	11
Geneva	fair	7
Gibraltar	fair	17
Glasgow	shower	7
Hamburg	rain	9
Helsinki	fair	-1
Hong Kong	fair	22
Honolulu	fair	28
Istanbul	sun	12
Jakarta	thund	30
Jersey	fair	13
Karachi	fair	28
Kuwait	fair	18
L. Angeles	fair	17
Las Palmas	sun	22
Lima	cloudy	24
Lisbon	fair	17
London	cloudy	13
Lux.bourg	cloudy	8
Lyon	fair	9
Madeira	fair	21
Madrid	sun	16
Majorca	sun	19
Malta	sun	19
Manchester	rain	10
Manila	fair	30
Melbourne	shower	20
Mexico City	fair	21
Miami	fair	25
Milan	sun	11
Montreal	sun	-10
Moscow	snow	-6
Munich	cloudy	11
Nairobi	fair	25
Naples	sun	19
Nassau	fair	27
New York	sun	2
Nice	fair	17
Nicosia	fair	18
Oslo	cloudy	-5
Paris	cloudy	10
Perth	fair	27
Prague	rain	11
Rangoon	sun	32
Reykjavik	cloudy	0
Rio	fair	24
Rome	fair	18
S. Frsco	shower	11
Seoul	fair	1
Singapore	shower	31
Stockholm	fair	-1
Strasbourg	cloudy	9
Sydney	fair	26
Tangier	sun	18
Tel Aviv	fair	19
Tokyo	cloudy	12
Toronto	sun	-8
Vancouver	rain	6
Venice	fair	11
Vienna	cloudy	14
Warsaw	rain	8
Washington	sun	3
Wellington	fair	16
Winnipeg	cloudy	-10
Zurich	fair	8

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FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994 Tuesday December 13 1994

IN BRIEF

Woolworth snares former Macy chief

Woolworth, the troubled US store group, yesterday pulled off a coup by securing the services of one of the most highly regarded figures in US retailing: Mr Roger Farah, formerly chief operating officer of the R.H. Macy department store group. Page 22

Canfor in all-share bid for forestry rival
The rationalisation of Canada's forestry industry is poised to take a big step forward with an all-share bid by Vancouver's Canfor for Slocan Forest Products, also based in British Columbia. Page 22

Wise Stores files for protection
Wise Stores, an eastern Canadian retail chain with 126 units, is filing for protection from creditors. The move results from its 1992 acquisition of Peoples Stores from Marks & Spencer Canada, part of the UK stores group. Page 22

Cariplo emerges as contender for Rolo
Potential suitors for Gruppo Bancario Credito Romagnolo (Rolo), the Bolognese banking group, continued to stir up speculation yesterday about a possible counter-bid for the bank. Page 20

UBS denies wrongdoing in share vote
Union Bank of Switzerland denied that it had done anything improper to win its board's controversial share unification proposal at last month's extraordinary general meeting. Page 20

Banco Santander looks to sell Ebro stake
Banco Santander is believed to have offered a 10 per cent stake in Ebro, the leading Spanish food company, to Tabacalera, the state-controlled tobacco conglomerate. Page 20

IFI at L175bn after six months
IFI, the quoted Italian holding company controlled by the Agnelli family, yesterday reported a consolidated profit before tax of L175bn ($107m) for the six months to September 30. Page 20

Flotation pays off as Allders gains
The benefit of last year's flotation was seen in the fourfold increase in profits at Allders, the department store and tax and duty free retail group floated last year. Page 29

API advances 30% to £7.02m
Pre-tax profits at API Group, the UK packaging, coatings and office consumables company, rose 30 per cent from £5.41m to £7.02m ($11.5m) in the year to October 1. Page 28

Losses rule out final dividend from JFB
Johnson & Firth Brown, the UK-based specialist engineering group, failed to declare a dividend for the first time in 10 years after heavy restructuring costs. Page 26

Hunters Armley rises 29%
Hunters Armley, the UK commercial printer which last week expanded with the purchase of a private Bristol-based printing company, increased pre-tax profits by 29 per cent in the year to September. Page 29

Acquisitions power Protean's 57% rise
A first full contribution from acquisitions made at the end of last year helped Protean, the UK laboratory equipment and water purification company, to lift interim profits by 57 per cent. Page 29

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	705	+	28.5
Kaufhof	436.5	+	4.5
[illegible]	134	+	10
Falls			
Bil & Berg	765	–	20
Daimler Benz	727.3	–	12.2
Volkswagen	404.5	–	9
NEW YORK ($)			
Rises			
Transco En	16⅛	+	3½
Williams	23⅞	+	3
Falls			
Dell	38½	–	2⅝
Gateway	21⅞	–	1
IBM	70⅝	–	1⅛
Intel	58⅛	–	4¼

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Fonc Lyon	613	+	28
Falls			
AGF	224	–	6.3
Air Liquide	713	–	10
Banc Comp	544	–	16
Geophysique	311	–	14
SLIC	680	–	20
TOKYO (Yen)			
Rises			
Hrshima Bnk	565	+	15
Hitachi Max	1940	+	90
Marudai Fd	818	+	37
Falls			
JEOL	700	–	20
Kobe Steel	286	–	12
Miyaji Iron	528	–	27

LONDON (Pence)			
Rises			
Andrews Sykes	125	+	6
Clydeport	170	+	11
Mercury Asset	750	+	39
Portals	874	+	41
Smith New Court	444	+	24
Waverley Mng	104	+	5
Falls			
Barratt Dev	141	–	10
Caradon	239	–	13½
City Site Est	49	–	8
Coats	209	–	10
Haynes Publ	290	–	13
Heath (Samuel)	105	–	15
Hewitt Grp	145	–	10
Johnson Fry Hld	110	–	5½
Kalon	108	–	14½
MEPC	358xd	–	17
Norish	105	–	12
Proteus	195	–	45
Richards plc	38	–	5
Scholl	135	–	18½
Smith (DS)	408	–	20
Trafalgar House	72	–	4
Wood (JD)	61	–	7

Williams to take over gas rival

By Richard Waters in New York

Williams Companies, a US natural gas and telecoms group, has announced an agreed cash and stock takeover of Transco Energy, a rival gas company, which was valued yesterday at $677m.

The acquisition, which will be made with part of the cash Williams expects to raise on completion of the $2.5bn sale of its telephone business, signals the consolidation under way in the US natural gas transmission and marketing businesses.

Shares in Williams slumped 10 per cent to $24⅛ on fears that the deal would add to its debt. Moody's and Standard & Poor's, the US rating agencies, were considering a downgrade of Williams' triple-B ratings in the light of Transco's $2.3bn of debt, although S&P indicated that it expected the company to retain an investment-grade rating.

The substantial premium offered by Williams drove Transco's shares up by $3½, or 28 per cent, to $16⅛.

Together, Williams and Transco would control one of the US's biggest natural gas distribution businesses. Transco, with after-tax profits of $65m on sales of $2.9bn last year, runs two interstate gas pipeline systems totalling 16,600 miles that cover the Midwest and east coast.

Williams' interests include three pipeline companies covering 18,900 miles and serving north-western and central US states. The company is also one of the biggest gatherers and processors of natural gas through its Williams Field Services. Some 90 per cent of its $2.4bn of revenues and 78 per cent of its $411m operating income came from the natural gas business, with the rest from its WilTel telephone operations.

The deal will give Williams the second-biggest gas pipeline system in the US, behind Enron.

The fall in Williams' share price yesterday morning in part reflected disappointment about how the company had chosen to use part of the proceeds from the previously announced sale of WilTel to LDDS.

The profitability of gas transmission in the US is expected to come under greater pressure, following last year's deregulation to allow utility companies to buy and store their own natural gas.

The company had earlier indicated to analysts that it planned to use $800m of the cash to buy back its shares, and would invest much of the rest in operations with better profit prospects than the pipeline business.

Under the transaction, Williams will pay $17.50 a share in cash for 60 per cent of Transco, totalling $430m. After the fall in Williams' share price yesterday morning, the stock offer for the remaining 40 per cent was valued at around $15 a share.

John Gapper explains why changes at the top of Schroders are causing a stir

No chance for quiet evolution amid revolution

Under other circumstances, the news that Mr Win Bischoff is to succeed Mr George Mallinckrodt as chairman of Schroders, the UK investment bank, might not attract much attention. "I would be very surprised if it came as a surprise to anyone here. It is totally evolutionary," said Mr Mallinckrodt yesterday.

But in the week after S.G. Warburg's announcement that it intends to merge with Morgan Stanley, the move is likely to renew speculation about Schroders' future. In particular, it begs the question of whether Schroders will become a fully integrated investment bank by acquiring a UK broker.

Schroders already distributes equity in the US through its now wholly-owned subsidiary Wertheim Schroder, but has not yet followed Warburg and others in acquiring UK distribution. Its conservative policy during the Big Bang deregulation of the City in 1986 has served it well, but could change.

"We were asked at the time of Big Bang, 'Where does that leave Schroders?' This is another Big Bang, a global one, and hopefully we will answer the question correctly," says Mr Bischoff, who has helped Mr Mallinckrodt to set Schroders' strategy since their dual appointment in 1984.

The danger is that by following Warburg's strategy of UK integration combined with ambitious global expansion, it would simply over-burden itself with costs. But if it does not buy a broker, such as Cazenove & Co or Smith New Court, it could eventually lose access to distribution.

"Our vested interest must be in Cazenove and Smith New Court remaining independent. That does not cost us any money," says Mr Mallinckrodt. Yet Schroders' senior executives accept that they could be forced to make a different decision if other banks start to buy the brokers it uses.

"If the marketplace requires something else, that is what we will do. We won't do it just because other people are doing it," says Mr Bischoff, who will not comment on suggestions that Schroders has expressed interest in buying N.M. Rothschild's 25 per cent stake in Smith New Court.

These questions are partly prompted by its rapid growth between 1984 and 1993. Net asset value more than quadrupled and staff grew from 2,630 to 3,911. It has also gained plaudits from analysts for its relatively low exposure to volatile trading income.

Yet it remains collegial, with all but one vote in 10 years on the group executive committee being unanimous. "We are not a bunch of yes men. Debate is vigorous, but when we make a decision we stick to it," says Mr Peter Sedgwick, head of its asset management arm, who is to become vice-chairman.

From left: George Mallinckrodt, who is to be succeeded by Win Bischoff, with Peter Sedgwick

One reason for what Mr Mallinckrodt calls "a partnership feeling" is that it remains largely controlled by the Schroder family, which holds more than 40 per cent of its equity. One token of this is Mr Mallinckrodt, who is married to the sister of Mr Bruno Schroder, the leading family shareholder.

Mr Mallinckrodt says having the backing of shareholders who "have been through some substantial vagaries in the past 190 years" helps to give the bank stability, although Mr Bischoff emphasises that stability has been combined with sufficient financial strength to finance growth out of earnings.

Its investment management arm has expanded funds under management to £60bn ($98bn). Mr Sedgwick argues that it has already achieved some of the inroads into the US pension fund market which has been cited as a benefit of merger for Mercury Asset Management, which is 75 per cent owned by Warburg.

Yet management stability will now be tested. As the bank has grown, the management task has become more complex. It now includes overseeing Wertheim Schroder, which employs 1,200 people, as well as expanding operations in the Asia Pacific and other emerging markets where Schroders is strong.

Mr Bischoff argues that Schroders cannot simply sit back with its current mix of business. "Once you say to yourself that you can stop a strategy of growth, you're on a slippery slope."

But he says it would be "mathematically impossible" to sustain recent growth rates.

Schroders' record of ignoring siren voices may give it more chance than others of avoiding pitfalls in the second Big Bang. Yet it will have to pick its way carefully to maintain growth without committing errors and incurring the cost burdens that weighed down Warburg.

Schroders

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	% increase 1984-1993
Profit after tax (£m)	15.1	29.2	72.2	27.1	30.1	46.6	31.6	54.4	69.6	140.3	829
Net asset value (£m)	164	171.6	221.1	227.4	254.7	313.1	310.2	360.6	545.6	674.5	311
Earnings per share	12.1p	13.0p	16.7p	21.6p	23.9p	37.0p	25.0p	41.1p	54.6p	109.2p	802

Source: Schroders

Bavarian bank limits trading damage

By Andrew Fisher in Munich

Bayerische Vereinsbank yesterday rounded off the autumn reporting season of Germany's big banks by producing results which showed a greater resilience to this year's tough trading conditions than most of its competitors.

In spite of a collapse in profits from trading on its own account – caused by the weakness in bond markets – group operating profits for the first 10 months were only 2 per cent lower, at DM901m ($571m), than in the same period of 1993.

Higher mortgage lending and lower risk provisions kept the decline in check.

Only its Bavarian rival, Bayerische Hypo-Bank, produced comparable results. Its operating profit also eased by 2 per cent to DM807m. Deutsche Bank reported a 15 per cent drop in operating profits to DM3.6bn, with Dresdner Bank 17 per cent lower at DM1.3bn and Commerzbank down by 27 per cent to DM660m.

"The Vereinsbank group has held up well in a difficult environment," said Mr Albrecht Schmidt, chairman. Continued growth in mortgage lending was the main force behind a 14 per cent increase in the interest surplus, to DM3.5bn, though property financing had lost some of its strength this year.

Commission earnings were 1 per cent lower at DM854m, mainly because of weaker securities markets. After an 11 per cent rise in operating expenses to DM2.8bn, including heavy spending on information technology, partial operating profits (excluding own-account trading) were 10 per cent higher at DM1.6bn.

Sharply eroding the bank's performance was the collapse in trading profits on its own account. These were 98 per cent lower at DM6m – after a loss at the six-month stage – as a result of bond market weakness. Mr Norbert Juchem, a director, said the bank changed its trading strategy in May as interest rates kept rising. "We woke up from our interest rate sleep."

Operating profits benefited, however, from a 12 per cent fall in risk provisions to DM683m. Mr Schmidt said the bank had made high provisions in previous years and could thus set aside less now. German insolvencies were still on the increase, although economic recovery had slowed the trend.

Tiphook agrees a $12m US settlement with bondholders

By Christopher Price

Tiphook, the transport leasing group, yesterday announced that it had reached a $12m settlement of a lawsuit being brought by some of the group's US bondholders. The agreement will go before a US federal court within the next two weeks for approval.

The bondholders, who started their legal action last January, had been seeking $700m, the amount Tiphook raised from three tranches of bond issues between November 1992 and April 1993. They claimed that they were sold Tiphook bonds and shares on the basis of "materially false and misleading" information. Shortly after the final bond prospectus was issued, Tiphook announced that interim profits would be some 20 per cent below those previously indicated.

The company yesterday denied claims made by the bondholders, that the final bill for Tiphook would be "several million dollars higher", owing to modifications agreed on how the bonds are structured.

Mr Leonard Barrack, of Barrack, Rodos and Bacine, lead attorneys to the bondholders, said: "These are non-cash benefits to the bondholders which will be agreed to over the next two weeks, prior to the final signing of the settlement papers." He added: "Given the financial situation of this company, we are happy with the result."

Tiphook said that the case resolved one of the biggest financial uncertainties hanging over the company. "As far as we are concerned the $12m settlement is the end of all outstanding claims against the group in relation to the class action."

The company also stated that its half-year results, due to be announced on Thursday, would show improved trading leading to a small operating profit.

However, it also warned that the results "are likely to incorporate further exceptional provisions," and "after payment of interest the company will report a loss."

Company sources said that group debt, currently standing at £512.5m, would be little changed, as would its hefty interest bill, which for the year to April 30 was £76m ($124m). The group's pre-tax losses for the year were £331.1m.

Tiphook refused to comment on the financial affairs of Mr Robert Montague, its chief executive, who is facing a petition for bankruptcy. Royal Bank of Scotland is seeking repayment of its outstanding loans, worth in the region of £2.5m.

MAM may keep independence

By Norma Cohen, Investments Correspondent

S.G. Warburg and Morgan Stanley are discussing arrangements which would maintain their fund management arms as two separate companies even if a merger between the two investment banks goes ahead.

Top officials of the two fund management companies are understood to be meeting today to discuss the structure.

A merger between Warburg's 75 per cent-owned asset management company, Mercury Asset Management, and Morgan Stanley Asset Management had been part of the deal's rationale.

It is thought that there have been concerns within MAM about the possible loss of autonomy. Currently, MAM has its own board and its own executive committee. Although Mr Hugh Stevenson, MAM chairman, would probably join the board of the combined Warburg/Morgan Stanley group, it remains unclear how MAM would maintain its independence.

"They have more power as two separate entities," said one official involved in the talks. "As time goes by, we may decide to merge," the official said, adding that the senior managements of both firms preferred to see how an association worked before seeking full integration.

It is understood that talks have been going on between the two fund management arms for about a month and that senior officials on both sides would prefer to keep the organisations separate.

Several MAM clients, who are also shareholders, said maintaining MAM's independence was a primary concern. "I would like to see that they are not wholly owned by this company," said one. "If they are not operationally independent, all sorts of problems could come up."

Maintaining MAM as a separate shareholder would ease the pressure on Warburg and Morgan Stanley to make an offer to the holders of the 25 per cent of the company Warburg does not already own. It is understood that Morgan Stanley would prefer that a minority "rump" Warburg did not continue for a long period of time.

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INTERNATIONAL COMPANIES AND FINANCE

UBS denies wrongdoing in vote

By Ian Rodger in Zurich

Union Bank of Switzerland yesterday dismissed suggestions that it had done anything improper to win its board's controversial share unification proposal at an extraordinary general meeting last month.

Two leading Swiss newspapers said at the weekend that the recent discovery of some large off-market transactions made during October and November in UBS registered shares raised questions about the bank's role in the market during that period.

UBS confirmed that one of its subsidiaries was the buyer of 1.45m registered shares on October 28 in "a normal options deal". At that day's closing price, those shares were worth nearly SFr400m ($299.3m). UBS did not comment on a 2.9m-share deal on October 17 or a 946,000-share transaction on the day of the extraordinary general meeting.

"There were some transactions in the normal process of business, but we have done nothing against the law," UBS said yesterday.

Mr Martin Ebner, chairman of BK Vision, the investment fund appealing against the share unification scheme, said his BZ Bank, a market-maker in UBS securities, was not involved in any of the transactions.

He suspects that UBS directors secured votes for the EGM by having the bank or its affiliates write option deals for large registered shareholders at favourable terms. Such deals would remove the risk of retaining the registered shares but leave the holder still able to vote them.

Mr Nikolaus Senn, UBS chairman, said at the EGM that the bank had only entered into normal agreements and fulfilled normal contractual conditions. "In no case did we influence the vote. All larger transactions were checked by our internal auditors," he said.

In the end, the UBS board won by only 65,449 votes out of 31.6m represented at the meeting. Under its plan, the registered shares would be converted into bearer shares on terms that eliminate their extra voting power. BK Vision has obtained an injunction blocking its implementation.

In the past year, the registered shares have traded at an effective premium to the bearer shares because BK Vision is contesting the bank's governance.

The question that is being asked in Swiss financial circles is why anyone, other than BK allies, bought UBS registered shares during October and November. UBS directors insisted they would win the two-thirds majority necessary to approve their proposal. If that forecast was accurate, the price of the registered shares was certain to fall about 15 per cent after the EGM, to parity with the bearers.

Banco Santander may sell Ebro stake

By Tom Burns
In Madrid

Banco Santander is believed to have offered a 10 per cent stake in Ebro, the leading Spanish food company, to Tabacalera, the state-controlled tobacco conglomerate. The move could signal renewed foreign assaults on the country's sugar sector.

Santander denied it had approached Tabacalera, which owns 4.6 per cent of Ebro, although it said it was seeking to dispose of its stock in the profitable sugar and rice producer.

The offer to the government's tobacco group was, however, confirmed by well-placed market sources, who viewed it as a tactical move by Santander before placing the stake with a foreign group.

Tabacalera is understood to have told Santander it could not increase its shareholding because it was restructuring the group and concentrating on its core tobacco business.

"Santander talked to Tabacalera, but it was merely being deferential with the government before seeking a buyer abroad for the the Ebro stock," said Mr Joan Bastos, managing director of Madrid brokers Ibersecurities.

The 10 per cent shareholding in the food company, worth Pta7.2bn ($55m) at current market prices, had been owned by Mr Javier de la Rosa, the Barcelona financier and former chief executive of the Kuwait Investment Office (KIO) in Spain, who was imprisoned pending fraud charges in October. Santander took the stake when it executed outstanding loans to Mr de la Rosa following his arrest.

The clear signal from Santander, the leading domestic banking group, that it is not interested in being an Ebro shareholder, and Tabacalera's reported rejection of the equity offer will not escape European groups such as Saint-Louis of France and the UK's Tate & Lyle.

The two groups were recently blocked by the government when they attempted to increase their minority joint stake in General Azucarera, Spain's second-ranked sugar company, through an agreed bid for a controlling shareholding in the company, owned by Banco Central Hispano, BCH.

The government said it did not want see Azucarera in foreign ownership, in the interests of protecting the domestic sugar quota. This argument does not, however, apply to Ebro, which is already partly foreign controlled. Its main shareholder, with 36.5 per cent of the equity, is Grupo Torras, the KIO's Spanish investment arm.

The KIO announced plans two weeks ago to write off Grupo Torras debts of Pta184.4bn to bring the investment arm out of receivership. The Kuwaiti group is reviewing its long-term strategy in Spain, and the re-think will focus closely on its plans for Ebro, the crown jewel of its Spanish investments.

Northern Electric lifts interim payout 30%

By Michael Smith in London

The strong financial performance of the regional electricity sector was highlighted yesterday when Northern Electric lifted its interim dividend by 30 per cent and Eastern Group by 25 per cent.

Northern's increase, by 2.2p to 9.6p, is the second highest in this year's electricity results season. All six England and Wales regional companies which have reported so far this year have lifted dividends by more than 20 per cent. Eastern's dividend rose to 8.25p from 6.6p.

The payouts, which have come on top of healthy profit increases of 20 per cent or more, will increase the political controversy surrounding the companies.

The Labour party has called for a "windfall profits" tax on utilities, arguing that the power companies were sold off at too cheap a price four years ago and have been not been regulated rigorously enough since then. Political debate is likely to become more heated before the likely flotation of the National Grid next May or June. The government is opposed to a windfall tax, but is under pressure to act on what many see as the power companies' excessive profits.

Northern, based in Newcastle upon Tyne, said profits for the six months to September 30 were £63.4m ($98.9m), a 20.5 per cent increase.

Eastern Group, based in Ipswich, reported a 27 rise in pre-tax profits to £98.1m.

Both companies said the high dividend increases were made possible by recent buy-backs of their shares. Northern has bought 10 per cent of its shares and Eastern 5 per cent. Buy-backs allow companies to lift dividends because there are fewer shares in issue.

Northern said its underlying dividend increase was 16 per cent while Eastern said total dividend payments would rise 19 per cent.

Lex, Page 18; Details, Page 26

Cariplo emerges as contender for Rolo

By Andrew Hill

Potential suitors for Gruppo Bancario Credito Romagnolo (Rolo), the Bolognese banking group, continued to stir up speculation yesterday about a possible counter-bid for the bank.

Credito Italiano (Credit), the Milan-based bank, formally launched its L20,000-a-share bid for Rolo at the weekend. The offer for 65 per cent of the company will open on December 19 and run until January 16. If shareholders accept the offer, Credit will have to spend nearly L2,800bn ($1.7bn).

Rolo has deliberately left itself open to possible counter-bids, and attention is now focused on Cariplo, the unquoted Italian savings bank, which is said to be preparing an alternative offer in alliance with IMI, the Italian financial services and banking group.

Without confirming those rumours, Mr Sandro Molinari, Cariplo's chairman, indicated yesterday that there would "certainly" be more news before Christmas.

Under Italian takeover rules, Cariplo has until the end of the first week in January to launch a counter-bid. It would have to be pitched at least 5 per cent higher than the Credit bid, both in terms of the price per share, and the overall amount offered.

Mr Gianguido Sacchi Morsiani, chairman of Rolo's local rival, Cassa di Risparmio in Bologna (Carisbo), said yesterday that his bank would also be ready to take part in an alternative bid. However, he said Carisbo had not yet talked to Cariplo about making a friendly approach to Rolo.

Rolo and Carisbo have cross-shareholdings in one another of just over 3 per cent. Rolo originally planned a merger with CAER, the parent company of Carisbo, as a defence against Credit's first, hostile offer. Those plans were dropped 10 days ago, when Rolo's board declared that Credit's plans for a higher offer were an improvement on the initial approach.

Consortium issues bid for Italian steel group

By Andrew Hill in Milan

A Franco-Italian consortium yesterday issued a bid for Ilva Laminati Piani (ILP), Italy's state-owned flat steels company. The bid opened what should be the final phase in the break-up and privatisation of Italy's state steel industry.

The consortium is headed by Lucchini, the private Italian steel producer, in alliance with Usinor Sacilor, the French steelmaker, and Bolmat, a company headed by two Italian steel traders.

The value of the bid was not revealed, but it is understood that Lucchini has a dominant stake in the consortium. Lucchini and Usinor made their offer through their jointly-owned company, Lutrix.

IRI, the state holding company which owns ILP, would not say whether other offers were tabled before yesterday's noon deadline.

Mr Emilio Riva, the Italian steel magnate, was considered the most likely counter-bidder. Riva made a conditional offer for ILP at the beginning of this month with Tarnofin, a consortium of local entrepreneurs, but it was withdrawn when IRI announced it wanted to remain open to other offers.

IRI is expected to evaluate the offer at a board meeting on Thursday, in the hope of striking a deal by the end of the year, the deadline set by Italy's European Union partners for the privatisation of the Italian steel industry. If IRI and its advisers are not happy with the original offer they could call for new bids, or open private negotiations.

The Franco-Italian bid follows weeks of talks set in motion by Mr Bruno Bolfo and Mr Vittorio Malacalza, who head Duferco, a steel trading company, and Bolmat.

They had originally indicated that a number of international steel producers including Bethlehem Steel of the US, Dofasco of Canada, and CSN of Brazil, were interested in buying ILP but apparently none was prepared to join the final consortium.

IFI posts L175bn at halfway

By Andrew Hill

IFI, the quoted Italian holding company controlled by the Agnelli family, yesterday reported a consolidated profit before tax of L175bn ($107m) for the six months to September 30.

It is the first time IFI has presented consolidated figures for the half year so there is no comparative figure for the first six months of 1993-94.

For the whole of 1993-94, IFI recorded a consolidated loss of L285bn, mainly because of heavy losses at Fiat, the automotive and industrial group.

The absence of a dividend payment by Fiat hit IFI parent company profit in the first half. It fell to L27.2bn before tax from L155bn a year earlier.

IFI controls 30 per cent of Fiat, including an indirect stake through the Agnellis' other quoted holding company, Ifil.

The company said since September 30 it had realised a parent company capital gain of L34bn on the conversion of bonds into shares in Fiat and Unicem, the cement subsidiary, and had received a 1994 dividend of L4bn from Exor, the French investment company.

IFI said net parent company profit for 1994-95 was likely to be lower than the L100.2bn profit in the previous year, but enough to allow a dividend payment at least equal to the 1993-94 payout of L30.3bn.

More than 80 per cent of IFI's shares are controlled by the private Agnelli holding company.

Stanhope to seek debt standstill

By Simon London
In London

Stanhope, the UK property developer on the brink of collapse, will today ask banks meeting to decide its future for a debt standstill of up to three years.

The company was last night trying to finalise details of a deal which would offer the banks the prospect of full repayment of their £140m ($218.4m) loans, with interest, at the end of a standstill period.

Stanhope's existing loan facility runs out next Monday. The 16 banks, led by Barclays, must decide whether to appoint receivers or give the company more time to come up with an acceptable rescue package.

The other rescue proposals for Stanhope come from British Land, the property investment company headed by Mr John Ritblat, and Postel, the post and telecommunications pension fund run by Mr Alastair Ross Goobey.

Under the latest proposal, Stanhope's estimated £5m-£10m a year running costs would be met during the standstill period by an unknown investor in return for an equity stake.

The total cost of funding the company through the period would be £25m-£30m, against a current market capitalisation of less than £20m.

Before giving Stanhope more time to finalise the plan, though, the banks will want to know the identity of the investor, and be given assurances that sufficient working capital can be found.

Stanhope's main asset is its 50 per cent stake in Broadgate Properties, which owns much of the Broadgate and Ludgate office developments in the City of London.

According to Broadgate Properties' last accounts, published in October, its assets were valued at £1bn and Stanhope's stake at £116m.

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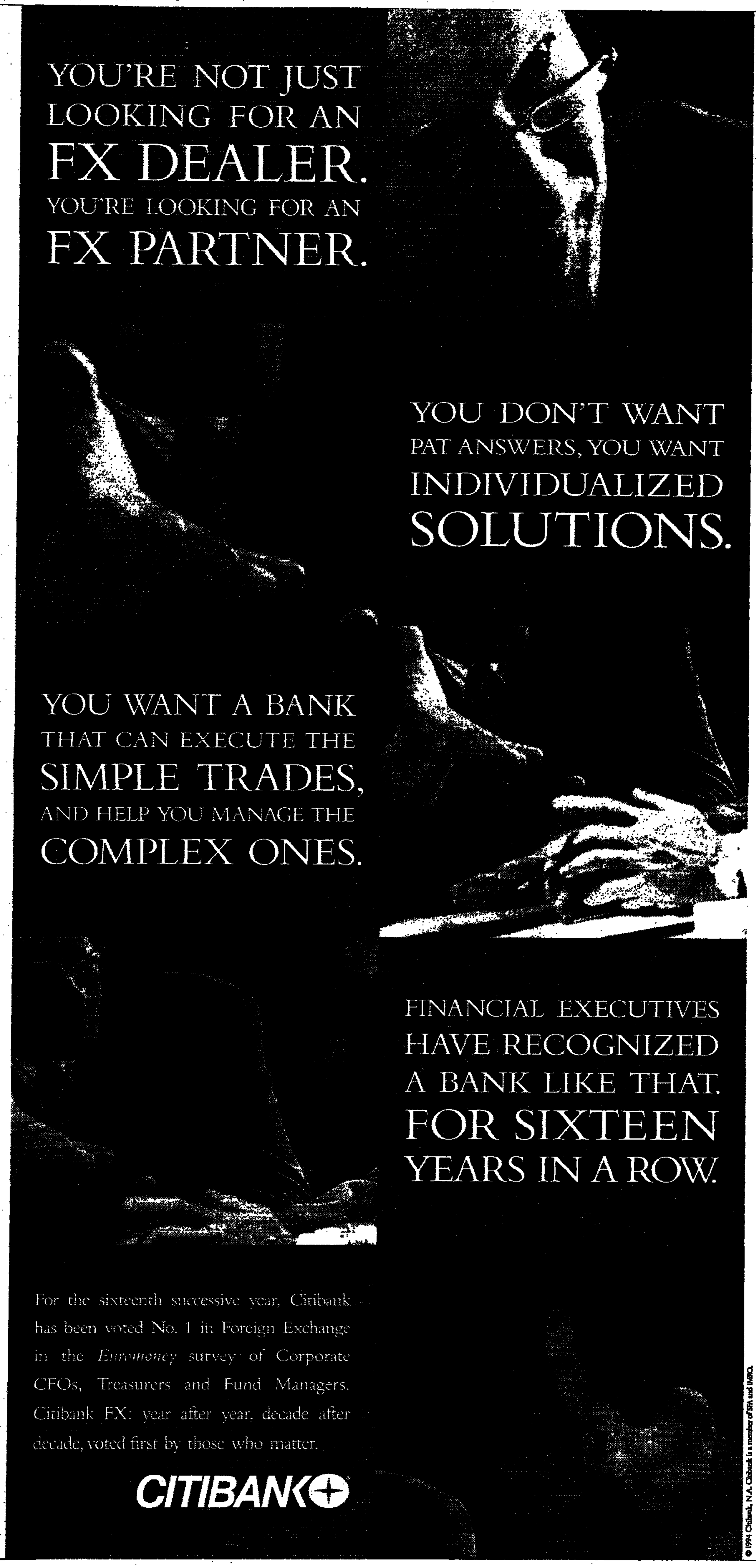

INTERNATIONAL COMPANIES AND FINANCE

Former Macy chief moves to Woolworth

By Richard Tomkins in New York

Woolworth, the troubled US store group, yesterday pulled off a coup by securing the services of one of the most highly regarded figures in US retailing: Mr Roger Farah, formerly chief operating officer of the R.H. Macy department store group.

Mr Farah, 41, is to become Woolworth's chairman and chief executive. He faces turning around a company that reported six consecutive quarters of losses before making a small profit in the latest quarter.

Before joining Macy, Mr Farah spent three years at Federated Department Stores, the US retailing group that owns the Bloomingdale's chain. As head of the group's central buying and product development arm, he earned a reputation as a skilful merchandiser.

When Mr Farah announced he was leaving Federated for Macy, Federated tried to block his move with a lawsuit claiming breach of contract. The companies settled out of court, and Mr Farah began working for Macy in July.

Two weeks later, Macy, which had been operating under bankruptcy protection since January 1992, agreed to merge with Federated, so Mr Farah, who had alienated Federated by his perceived disloyalty, had to start looking for another job.

At Woolworth, Mr Farah will replace Mr John Adams, an outside director who had been acting as chairman and chief executive pending the replacement of Mr William Lavin, who previously held both posts.

Mr Lavin was stripped of the chairmanship in May after it was discovered the company had falsified some of its quarterly results to make losses look like profits. He remained as chief executive, but left the company in October.

Woolworth has been trying to improve its financial performance by cutting back on its fading five-and-dime store operations and diversifying into specialty retailing. The strategy has failed to yield the expected results.

Yesterday, Mr Adams said Mr Farah had a record of accomplishment, particularly in growing businesses. "We are looking forward to benefiting greatly from his leadership and his merchandising expertise". Woolworth's shares were up $⅜ at $13⅜ at midday.

● Kmart, the ailing US discount store group, yesterday announced it was eliminating 900 full-time equivalent jobs at its Troy, Michigan headquarters.

Haitai buys 17.2% of Korean audio group

By John Burton in Seoul

Haitai, the South Korean food group, has taken management control of International Korea Electronics (Inkel), the country's leading audio company, as part of its strategy of diversifying into electronics.

Haitai bought 17.2 per cent of Inkel from Mr Cho Dong-sik, its founder and largest shareholder, for an estimated Won20bn ($25.3m).

Inkel has 25 per cent of the domestic audio market. It exports to the US and Europe under the Sherwood brand name following its purchase of the UK audio company.

Inkel has come under financial pressure due to rapid production expansion and diversification into telecommunications. Sales have fallen sharply to Won125bn in the first 10 months of this year, against Won238bn for all of 1993, due to increased competition.

Operating profits, which were Won2bn last year, have been affected by a price-cutting campaign by rival companies. The takeover of Inkel is meant to improve the performance of Haitai Electronics, which also manufactures audio equipment.

Seven Network leaves TV group

By Nikki Tait in Sydney

Seven Network, one of Australia's smaller commercial TV networks, is to withdraw from the Optus Vision consortium, formed a few months ago to build a national cable network across Australia.

Seven's involvement in the consortium – which includes Mr Kerry Packer's Publishing & Broadcasting group and Optus, the telecommunications carrier – was controversial, given that 15 per cent of Seven's shares are held by Mr Rupert Murdoch's News Corporation, and another 10 per cent by the government-owned Telecom group. News and Telecom have formed a consortium to build a rival national cable/pay-TV network.

Seven said its withdrawal was prompted by the federal government's stance over the regulatory framework for broadband networks, announced last month. Seven said it considered the new rules had "marginalised the Optus Vision business opportunity".

Some commentators suspect that Seven's withdrawal heralds the collapse of the Optus Vision consortium.

Its future was thrown into doubt when Mr Michael Lee, the federal minister for communications, said he would not allow monopolies in cable infrastructure and would not act to stop geographical duplication of the networks planned by Optus Vision and Telstra. P&B has withdrawn from a potential A$318m (US$246m) investment in Optus as a result.

● Australis Media, the fledgling company which has promised to provide Australia's first pay-TV service at the beginning of 1995, said it planned to raise about US$200m through an issue of senior discount notes in the US. Merrill Lynch has been retained to handle the public offering, which is expected to take place in the new year.

Australis said the proceeds would be used to fund a portion of the costs of rolling out subscription broadcast TV services.

Plasterboard group rejects takeover bid

By Claire Gascoigne in New York

National Gypsum, the second-largest US maker of plasterboard, has rejected a $940m hostile bid from Delcor, an investor-group led by the company's non-executive chairman Mr C.D. Spangler.

A special committee of the board said the proposed price of $43.50 a share was "inadequate" and the proposal "highly conditional". National Gypsum's shares were down $1⅜ at $39 at midday.

Delcor, a division of investment company Golden Eagle Industries, owns 19 per cent of National Gypsum, which emerged from Chapter 11 bankruptcy last autumn.

It is supported in its bid by the North Carolina-based investment banks First Union Corporation and NationsBank. The bid is conditional on Delcor "satisfying itself" on National Gypsum's liability for asbestos claims. A trust fund was set up when the company emerged from bankruptcy to cover such claims.

Lafarge Coppée, the French building materials group which owns 10 per cent of National Gypsum, recently rejected a joint bid, although it is not clear whether it will be actively opposing it.

It had been seen as a possible partner after working closely with Delcor to acquire the stake last year.

Mr Allan Cecil, corporate spokesman for National Gypsum, said the company was not talking to any other potential bidders.

Canfor in all-share offer for forestry rival

By Bernard Simon in Toronto

The rationalisation of Canada's forestry industry is poised to take a big step forward with an all-share bid by Vancouver's Canfor for Slocan Forest Products, also based in British Columbia.

Canfor's offer values Slocan at about C$715m (US$518m), or C$18 a share, which is one-third higher than Slocan's closing price on the Toronto stock exchange last Friday.

Canfor is Canada's biggest lumber company and second biggest pulp producer. Its flagship is the Howe Sound pulp and newsprint mill north of Vancouver, a joint venture with New Oji Paper of Japan.

Slocan's business centres on lumber and it has cutting rights to 3.7m cubic metres of timber a year.

Its shareholders would be offered 0.935 Canfor shares for each Slocan share. The offer is subject to a minimum acceptance of 75 per cent.

Slocan had not responded to the unsolicited offer by midday yesterday. Its shares are widely held, with its chairman and chief executive, Mr Irving Barber, holding a 9.5 per cent stake.

Canfor said the combination would increase its wood and fibre self-sufficiency, strengthen its marketing clout and offer a better balance between solid wood products, pulp and newsprint.

The combined company would have posted sales of C$1.6bn in the first nine months of this year, with cash flow of C$183m.

The forestry industry's fortunes have improved in the past year, on the heels of unexpectedly sharp rises in pulp and paper prices. Canfor earned C$28.7m in the third quarter, compared with a C$7.9m loss a year earlier. Slocan's profit has surged to C$25.5m from C$10.1m.

However, many companies have been weakened by the protracted recession of the early 1990s and by heavy investments in anti-pollution equipment and other modernisation projects.

The Canadian industry has been especially slow to modernise, leading to predictions of an extensive shake-up as companies seek to maintain their competitive edge.

In one of the biggest deals to date, Slocan joined forces a year ago with Donohue, a Quebec-based producer, to buy Finlay Forest Products, a troubled lumber and newsprint producer.

SmithKline sees another wave of pharmaceuticals mergers

By Daniel Green

Another wave of mergers and acquisitions will effect the pharmaceutical industry as mid-sized pharmaceuticals succumb to larger competitors better able to compete with changes in the healthcare industries, Mr Jan Leschly, chief executive of SmithKline Beecham, the pharmaceuticals company, said yesterday.

He was making the long-awaited account of progress in integrating the two US companies that SmithKline bought this year for $5.2bn – DPS, the drug distributor, and Sterling Health, the over-the-counter medicine maker.

The acquisitions laid the ground for the company's transformation into a broadly-based supplier of human healthcare whose customers paid for healthcare, not doctors, said Mr Leschly.

Mr Jerry Karabalas, SmithKline's president of North American Pharmaceuticals, said there had been "faster growth than expected" at DPS. This was the more controversial of the acquisitions, which cost $2.3bn in May.

The deal was criticised as too costly for a small company with uncertain growth prospects and fickle customer base.

Mr Karabalas said DPS's customer base had grown 27 per cent in eight months. New corporate customers for which it helps manage the cost of buying medicines included Disney, the entertainment company, Merrill Lynch, the US securities house, and the "very lucrative" United Mineworkers Union, which spent $100m a year on drugs for retired miners.

He said DPS was likely to benefit as companies, which paid for their employees healthcare, sought to control costs more tightly.

The acquisition of Sterling Health, which brought SmithKline its first OTC analgesic, Panadol, would help the company grow in developing markets, said Mr Harry Groome, chairman of SmithKline Beecham Consumer Healthcare.

SmithKline is second biggest foreign pharmaceuticals company in China and expected to be number one in 1995, said Mr Jean-Pierre Garnier, chairman of SB Pharmaceuticals.

Wise Stores files for protection

By Robert Gibbens in Toronto

Wise Stores, an eastern Canadian retail chain with 126 units, is filing for protection from creditors. The move results from its 1992 acquisition of Peoples Stores from Marks & Spencer Canada, part of the UK stores group.

Wise, a family-controlled company operating mostly in smaller cities, still owes C$12.7m (US$9.2m) to M&S under the terms of the 1992 leveraged buy-out of Peoples Stores.

It said M&S, a secured creditor, had obtained a court order naming an interim receiver for Peoples. M&S had agreed last August to delay loan repayments until July 1995.

Brewer posts NZ$93.2m loss

By Terry Hall in Wellington

DB Group, New Zealand's second-largest brewer which is controlled by Dutch and Singaporean brewery interests, yesterday announced a NZ$93.2m (US$59.4m) loss for the 15 months to September 30, mainly due to its involvement in Austotel, Australia's largest pubs group. Writedowns, with redundancy and payments, accounted for NZ$113.8m.

Operating profit was NZ$29.4m compared with NZ$16.0m the previous 12 months, for a net after-tax loss of NZ$93.2m, against a NZ$24.6m loss. Sales of NZ$872.9m compared with NZ$761.45m.

Soros unit agrees to buy Indian stakes

By Shiraz Sidhva in New Delhi

The Chatterjee group, an Indian affiliate of Soros Fund Management, has signed an agreement to acquire a 25 per cent stake in United Breweries and McDowell, two flagship companies of the Bangalore-based UB conglomerate, for Rs2.25bn ($71.7m). The agreement says the Chatterjee group will acquire the equity by sale and/or private placement of shares and not by the sale of warrants.

The companies have agreed to jointly develop the globalisation and expansion of United Breweries' brands of beers and spirits, particularly in the Pacific Rim countries, also to protect and promote UB's beer and spirits in India. The UB group has a 29 per cent market share of the Rs50bn Indian liquor industry, and commands 32 per cent of the beer market with its Kingfisher brand.

The understanding says Mr Vijay Mallya, the chairman of the UB group will continue to maintain his equity stake and manage the activities of the group. The Chatterjee group will have two representatives on the board of the company to contribute to the company's global strategies.

UB group has interests in brewing, distilling, pharmaceuticals, engineering, fertilisers and plastics in India. The company recently announced plans to build a brewery in Myanmar, Burma, and acquire three breweries in China, besides signing an agreement with Carlsberg International to produce Carlsberg beer in India.

Soros Fund Management, promoted by Mr George Soros, one of the world's largest fund managers, manages more than $12bn in funds.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 13.12.94: Pool purchase price £/MWh	Final Prices for Trading on 15.11.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.92	9.24	9.24
0100	10.09	9.73	13.53
0130	10.09	9.73	13.63
0200	10.09	9.73	13.53
0230	9.26	9.25	9.25
0300	9.09	9.24	9.24
0330	8.99	9.23	9.23
0400	8.92	9.22	9.22
0430	8.92	8.18	8.18
0500	8.86	8.18	8.18
0530	8.80	8.12	8.12
0600	8.86	8.13	8.13
0630	8.89	8.22	8.22
0700	10.08	9.24	9.24
0730	31.02	30.45	34.24
0800	30.02	30.59	34.39
0830	31.04	30.59	34.39
0900	30.86	30.45	34.25
0930	30.93	30.80	34.60
1000	31.82	31.88	35.49
1030	31.84	31.89	35.50
1100	31.87	31.89	35.51
1130	32.22	36.52	40.34
1200	40.69	36.53	40.35
1230	57.17	36.52	40.34
1300	67.16	31.88	35.50
1330	46.82	30.80	34.60
1400	46.85	30.79	34.59
1430	35.37	30.79	34.59
1500	35.34	30.79	34.60
1530	36.54	30.84	34.65
1600	46.80	32.19	36.60
1630	112.88	59.44	68.16
1700	175.25	103.18	121.42
1730	167.35	136.12	154.56
1800	137.79	120.90	136.91
1830	71.81	62.25	70.69
1900	47.81	47.55	52.54
1930	38.13	42.42	46.72
2000	34.10	35.85	40.51
2030	33.86	30.81	34.61
2100	33.82	30.78	34.58
2130	30.06	30.45	34.25
2200	33.81	29.90	33.70
2230	30.07	30.45	34.24
2300	28.74	9.25	9.25
2330	9.29	9.23	9.23
2400	8.99	9.22	9.22

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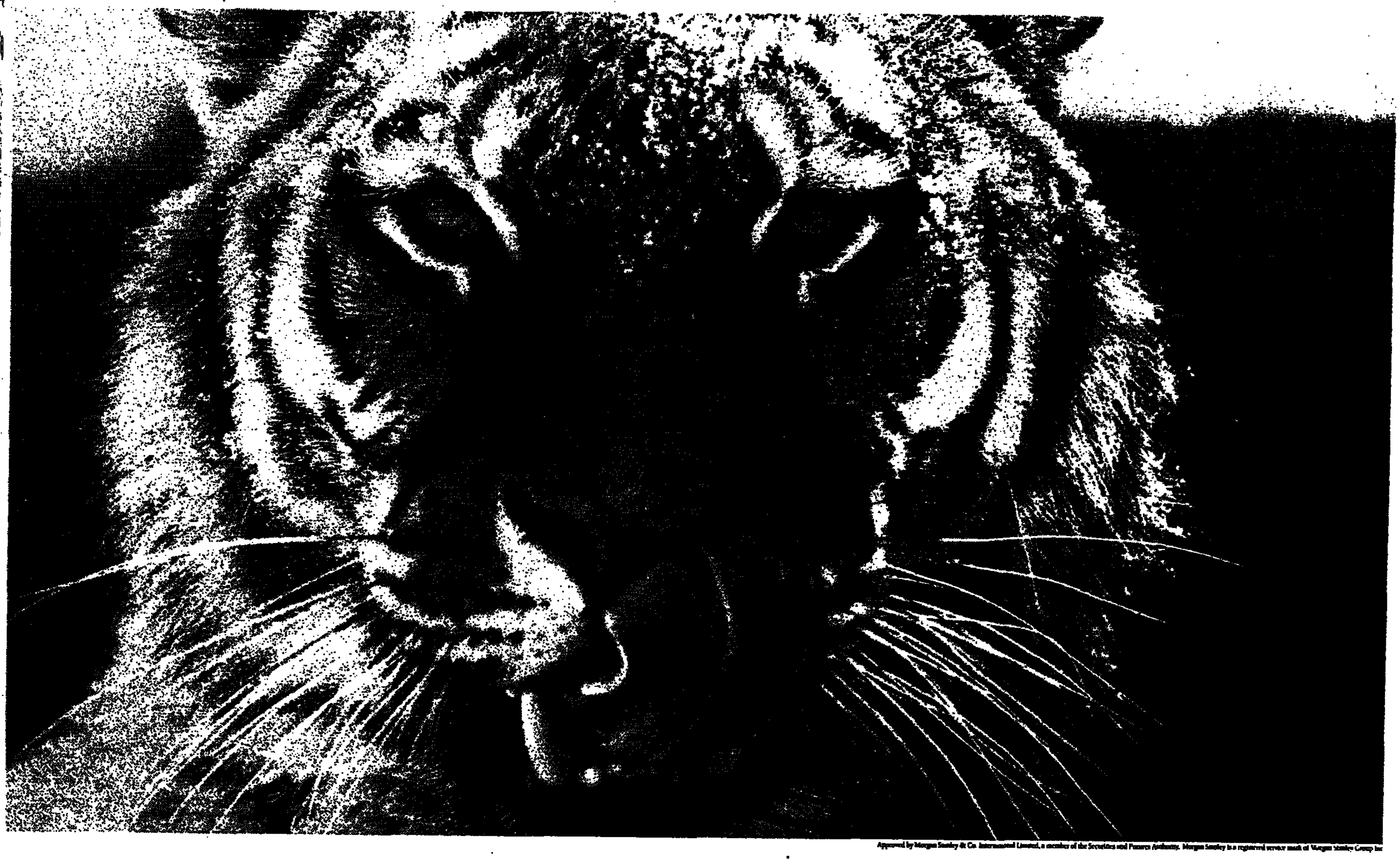

You want to attract a world of investors — but only of a certain stripe.

Finding enthusiastic investors for your privatisation is important. Finding *serious* investors is imperative. For they are the ones who will form an ideal shareholder base — global, diverse, stable yet capable of growth.

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Each syndicate member had the responsibility to pinpoint and gather historic data on all potential investors. Then, working closely with you and the regional lead managers, the firm provided objective criteria and even-handed judgement in allocating shares. This assures the syndicate members of the fairness they want. Which, in turn, assures you of the strong global distribution you need.

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MORGAN STANLEY

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INTERNATIONAL CAPITAL MARKETS

US Treasuries lower ahead of economic news

By Lisa Bransten in New York and Martin Brice in London

US Treasury prices fell from last week's highs in quiet trading yesterday morning as investors awaited economic figures on producer and consumer prices due out today and tomorrow.

By midday, the benchmark 30-year government bond was down ⅜ to 95¼, yielding 7.910 per cent. At the short end of the market, the two-year note was ⅛ lower at 99⅝, yielding 7.579 per cent.

Last week, the market benefited somewhat as investors sought safe investments in the wake of uncertainty surrounding Orange County, California's declaration of bankruptcy.

Yesterday, however investors turned their attention to the spate of economic data due out this week.

Most economists expect both the producer price index – due to be announced today – and the consumer price index – due tomorrow – to show increases for November.

So far this year, the CPI has held steady at about 0.2 per cent a month, despite inflationary pressures elsewhere in the economy. Economists believe the CPI for November will show an increase of 0.3 per cent.

GOVERNMENT BONDS

Also important will be tomorrow's release of capacity utilisation figures that indicate the percentage of capital being used for the creation of goods. Analysts expect November's figure to increase to 84.8 per cent from 84.6 per cent in October.

The figures should give traders an indication of what the Federal Reserve might do at the December 20 meeting of its Open Market Committee.

With no important economic data released yesterday, the market reacted to comments from President Bill Clinton that he was not averse to a tax cut.

Speaking to reporters on Sunday, Mr Clinton said he felt the country could afford a middle-class tax cut, sparking trader fears of a growing deficit that could add to inflationary pressures.

■ The fall in US Treasuries yesterday gave a weaker tone to the European government bond markets, but they also had their own problems.

French bond prices were hit by the announcement from Mr Jacques Delors that he would not run for election as French president. Meanwhile, Italian bonds were affected by government uncertainties and fell by more than a point.

■ French prices fell on increased political uncertainty after the withdrawal of Mr Delors from the presidential campaign. The December Notionnel future on Liffe fell 0.90 to 112.28.

Mr Dominique Barbet, at Paribas Capital Markets in Paris said French bonds had fallen 10 basis points as a result of the move by Mr Delors. He said: "They may fall another 10 or 20 basis points, because we have a lot of uncertainty in the French market. Among socialists, Mr Delors was the one the market liked the most."

■ Italian government bonds were affected yesterday by international and domestic politics. Prices were affected by the announcement by Mr Delors because it suggested that European monetary union was further away. Meanwhile, Mr Roberto Maroni, Italy's interior minister, said the coalition forming the government could be different next year.

Mr Simon Maggs at IBJ said volatility in Italian bonds had lessened since the budget looked like getting through parliament, but had now increased. The yield on 10-year government bonds rose 24 basis points to 12.37 per cent.

■ UK gilts were largely unmoved by the November producer price data, although they took their tone from US Treasuries and the December long gilt future moved down ⅜ to trade around 102⅛. The spread over bunds was around 123 basis points.

Mr Kevin Adams at BZW said the PPI numbers were pretty much in line with expectations, and investors would now be waiting for the data on unit labour costs, which is due out tomorrow.

Recent political troubles for the ruling Conservative party were not seen to move the market yesterday, although Mr Robert Thomas at NatWest Markets said: "If it were not for the government staggering from one political crisis to another, it would be realistic to forecast that the gilt/bund spread for 10-year maturities could narrow down to 100 basis points or less."

Mr Harry Thapar at Technical Data said: "Gilts have not yet priced in the political risk, because they remain surrounded by post-budget bliss".

■ German government bonds slipped in thin trading. The March bund futures contract on Liffe fell 0.13 to 89.84.

An analyst in Frankfurt said bunds were trading in a range of 89.73 to 89.90, and were likely to continue to do so until after the Christmas break.

3M makes a rare visit with $200m two-year offering

By Graham Bowley

Continued strong demand from European retail investors for short-dated bond offerings tempted borrowers into the US dollar and Australian dollar sectors of the eurobond market yesterday.

However, new issuance was light with borrowers and investors winding down for the Christmas period.

Minnesota Mining & Manufacturing, the diversified US manufacturing group, better known as 3M, and a rare borrower on the eurobond market, launched a $200m offering of two-year bonds priced to yield 9 basis points over US government bonds.

Traders said the pricing was aggressive but lead manager J.P. Morgan said that 3M was keen to tap the market before favourable swap levels closed in the new year.

J.P. Morgan said that the 7¾ per cent coupon was the highest available in either the two or three-year areas of the dollar sector for an AAA rated name, bar GECC's $200m offering launched last week with a 7.875 per cent coupon.

INTERNATIONAL BONDS

Syndicate officials said the issue found firm demand among Swiss and Benelux retail investors.

3M last borrowed in the eurobond market in May with a $200m three-year offering that is now trading in the secondary market at 20 basis points through US Treasuries, J.P. Morgan said.

Yield spreads in the eurodollar market narrowed slightly after widening sharply last week.

Traders in the sector said that spreads over US government bonds on paper in the two-year to five-year maturity range closed in by about three basis points after widening sharply by about five basis points on the fear that the financial crisis in Orange County, California, would lead to the liquidation of its bond portfolio, resulting in a flood of bonds on to the secondary market.

In the Australian dollar sector, the World Bank launched an A$100m issue of three-year bonds offering a coupon of 10⅛ per cent.

New South Wales Treasury Corporation launched a A$100m offering of three-year bonds which were sold almost entirely into Japan, lead manager Nomura said.

The lead said that Japanese investors are currently attracted to the Australian market by the prospect of a strengthening in the country's currency against the yen as the Australian economy continues to grow.

In the lire sector, Deutsche Bank Finance, the big German bank's external financing vehicle, launched a L200bn issue of three-year bonds offering a coupon of 11 per cent.

The bonds were sold to Italian retail investors, Belgian funds and German investors, traders said.

The Republic of Argentina is set to make its debut in the euro-French franc market this week with a FFr1bn issue maturing on January 6, 1998.

An official at Société Générale, which is leading the deal, said that the issue will yield some 240 to 250 basis points above French government bonds and will have a coupon of 9.5 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Minnesota Mining & Manufact.	200	7.75	100.00R	Jan.1997	0.125R	+9(7¼%-96)	JP Morgan Securities
Banco Boavista	50	12.00#	98.75R	Dec.1997	1.00R	+460(7¾-97)	ABN Amro Bank
ITALIAN LIRE							
Deutsche Bank Finance	200bn	11.00	101.325	Jan.1998	1.375	-	Deutsche Bank London
AUSTRALIAN DOLLARS							
World Bank	100	10.125	101.425	Jan.1998	1.50	-	CBA
New Sth.Wales Treasury Corp.★	100	4.50#	87.371	Dec.1997	1.375	-	Nomura International

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. §Convertible. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level.

Cresvale brings first placing for Romanian group

By Richard Lapper

Cresvale, a subsidiary of France's Banque Pallas Stern, has completed the first international placing of shares for a Romanian company, raising some $1.5m from institutional investors for Societatea R, the local publishing group.

INTERNATIONAL EQUITIES

The deal is one of a number of international issues planned ahead of the expected opening of the Bucharest stock exchange early next year.

Mr Paddy Shanahan, head of European emerging markets at Cresvale, said the group aims to raise some $6m for a local services company and $5m for an industrial group early in the new year.

Some 66,000 of the new Societatea shares were issued to repay borrowings, and Cresvale acquired additional shares from employees. In total, just under 30 per cent of the company has been sold to international investors. The paper will trade over-the-counter.

Societatea R publishes Romania Libera, a popular broadsheet newspaper with a circulation of 200,000, and also has a range of other magazine and book-binding interests. Mr Shanahan said that on estimated 1994 earnings, the share is currently trading on a price earnings ratio of seven.

Cresvale is involved in other under-developed east European markets. Earlier this year it raised $8m through an international placement of shares in Estonia's Hansa Bank. Its asset management department also launched the Baltic Republics Fund in August.

Some 30 per cent of the fund, which is oversubscribed and was capped at $30m in August, is currently invested in Estonia. Among its investments is the wood processing company, Viisnurk, an internationally known manufacturer of cross country skis. Cresvale's Prometheus Fund, launched in beginning of 1994, has invested some $12m in Russia and eastern Europe.

● Pricing of the shares of Tadiran, the Israeli electronics company which is planning an offering in New York, is expected in the next few days.

The issue, which follows an initial public offering in 1992, is expected to raise $80m including a $7.4m greenshoe option. Merrill Lynch is lead-managing the deal.

Roughly 3.9m of the company's shares are being sold: 2.34m in the US and 1.56m on international markets. The shares will also be listed in London on the SEAQ market and in Tel Aviv.

Oppenheimer, Lehman Brothers, UBS and BZW are co-lead managers. After the offering, Koor Industries' stake in Tadiran will fall from 76 to 52 per cent.

● SG Warburg and UBS, joint global co-ordinators for the international issue of shares in EVC, Europe's largest manufacturer of polyvinyl chloride, yesterday took advantage of the "greenshoe option", increasing the size of the issue by a further 1m shares.

The greenshoe allowed an issue of up to 1.35m extra shares. The shares were yesterday trading at Fl 77.1 compared with an issue price of Fl 77.

ICI of the UK and Enichem of Italy each sold 35 per cent stakes in EVC, raising a total of Fl 770m.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.500	08/04	92.6700	+0.760	10.20	10.09	10.64
Belgium		7.750	10/04	95.4400	–0.470	8.29	8.23	8.29
Canada *		9.000	12/04	98.8500	–0.850	9.18	9.02	9.21
Denmark		7.000	12/04	89.1500	–0.370	8.67	8.60	8.90
France	BTAN	8.000	05/98	99.9100	–1.740	7.27	7.27	7.47
	OAT	7.500	04/05	96.3000	–0.540	8.03	7.87	8.14
Germany Bund		7.500	11/04	100.3000	–0.620	7.45	7.31	7.51
Italy		8.500	08/04	80.6800	–0.990	11.92†	11.59	11.61
Japan	No 119	4.800	06/99	103.6400	–0.080	3.85	3.94	4.03
	No 164	4.100	12/03	96.9360	+0.002	4.58	4.66	4.69
Netherlands		7.250	10/04	97.5300	–0.590	7.61	7.45	7.56
Spain		10.000	02/05	90.3800	–0.710	11.33	11.13	11.26
UK Gilts		6.000	08/99	90–19	–8/32	8.47	8.45	8.52
		6.750	11/04	88–11	–12/32	8.51	8.54	8.66
		9.000	10/08	104–02	–15/32	8.50	8.50	8.65
US Treasury *		7.875	11/04	100–03	–12/32	7.86	7.83	8.00
		7.500	11/24	95–07	–15/32	7.92	7.94	8.15
ECU (French Govt)		6.000	04/04	84.5900	–0.770	8.44	8.18	8.54

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.48	Two year	7.58
Broker loan rate	8½	Two month	5.82	Three year	7.72
Fed.funds	5⅞	Three month	5.88	Five year	7.81
Fed.funds at intervention	-	Six month	6.54	10-year	7.86
		One year	7.22	30-year	7.92

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.48	112.28	-0.90	112.58	112.24	109,462	64,149
Mar	111.72	111.52	-0.92	111.84	111.84	43,105	93,002
Jun	110.90	110.72	-0.90	111.00	111.00	670	2,096

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jan	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Mar	PUTS Jun
110	-	-	-	0.06	0.50	-
111	0.95	1.66	-	0.16	0.78	-
112	0.41	1.12	1.32	0.41	1.16	-
113	0.15	0.70	-	0.88	1.64	-
114	0.06	0.40	-	-	2.15	-

Est. vol. total, Calls 20,061 Puts 18,149 . Previous day's open int., Calls 192,569 Puts 135,626.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.24	89.89	-0.57	90.24	89.80	76655	167903
Jun	89.55	89.27	-0.57	89.55	89.55	33	716

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
8950	0.50	0.97	1.17	1.29	0.21	0.58	0.78	1.52
9000	0.32	0.70	0.89	1.06	0.43	0.81	1.00	1.79
9050	0.14	0.47	0.67	0.86	0.75	1.08	1.26	2.09

Est. vol. total, Calls 15289 Puts 8443. Previous day's open int., Calls 186050 Puts 113506

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.59	98.87	-0.98	99.59	98.69	23647	44514
Jun		98.16	-0.98			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9850	2.03	2.41	1.56	2.75
9900	1.75	2.19	1.88	3.03
9950	1.49	1.98	2.12	3.32

Est. vol. total, Calls 687 Puts 824. Previous day's open int., Calls 12630 Puts 10938

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.04	86.51	-0.68	87.04	86.46	28,637	63,486
Mar	86.27	85.85	-0.67	86.27	85.82	6,331	11,852

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-28	102-23	-0-13	102-30	102-22	1000	19853
Mar	102-09	102-00	-0-15	102-10	101-28	36765	108434
Jun		101-00	-0-15			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
102	1-34	2-01	1-34	3-01
103	1-03	1-40	2-03	3-40
104	0-44	1-18	2-44	4-18

Est. vol. total, Calls 603 Puts 1955. Previous day's open int., Calls 18327 Puts 30725

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	82.26	81.58	-0.78	82.28	81.58	3,214	3,184

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-27	99-11	-0-25	99-27	99-09	25,930	96,294
Mar	99-14	98-25	-0-24	99-14	98-22	326,351	315,974
Jun	98-23	98-11	-0-25	98-23	98-10	4,221	12,644

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.51			108.52	108.46	1122	0
Jun	107.78			107.78	107.78	1	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Dec 12	Day's change %	Fri Dec 9	Accrued interest	xd adj. ytd		Low coupon yield Dec 12	Dec 9	Yr. ago	Medium coupon yield Dec 12	Dec 9	Yr. ago	High coupon yield Dec 12	Dec 9	Yr. ago
1 Up to 5 years (24)	120.25	–0.08	120.35	2.46	10.00	5 yrs	8.50	8.45	5.63	8.50	8.46	5.86	8.69	8.65	5.96
2 5-15 years (22)	140.31	–0.24	141.12	1.83	12.29	15 yrs	8.38	8.34	6.45	8.51	8.47	6.57	8.73	8.68	6.78
3 Over 15 years (8)	157.80	–0.37	158.38	2.39	12.05	20 yrs	8.34	8.31	6.55	8.51	8.47	6.69	8.65	8.59	6.80
4 Irredeemables (6)	179.08	–0.33	179.67	1.47	13.71	Irred.†	8.42	8.39	6.69						
5 All stocks (60)	137.84	–0.21	138.16	2.17	11.56										

Index-linked							Inflation 5% Dec 12	Dec 9	Yr. ago	Inflation 10% Dec 12	Dec 9	Yr. ago
6 Up to 5 years (2)	186.77	–0.03	186.82	0.99	5.07	Up to 5 yrs	4.11	4.09	2.01	2.96	2.93	1.23
7 Over 5 years (11)	173.72	+0.01	173.98	1.19	4.61	Over 5 yrs	3.89	3.89	2.97	3.71	3.71	2.81
8 All stocks (13)	174.19	—	174.41	1.17	4.84							

Debentures and Loans						5 year yield Dec 12	Dec 9	Yr. ago	15 year yield Dec 12	Dec 9	Yr. ago	25 year yield Dec 12	Dec 9	Yr. ago
9 Debs & Loans (77)	129.44	–0.34	129.98	2.05	10.90	9.47	9.41	7.29	9.43	9.37	7.81	9.38	9.35	7.74

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 12	Dec 9	Dec 8	Dec 7	Dec 6	Yr ago	High*	Low*
Govt. Secs. (UK)	91.89	92.09	91.65	91.67	91.50	106.68	107.04	89.54
Fixed Interest	109.75	109.67	109.48	109.37	109.52	129.98	233.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5
Gilt Edged bargains	90.7	95.4	120.8	95.8	92.3
5-day average	99.0	101.0	106.1	107.1	116.8

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts (Lives up to Five Years)						
Treas 12pc 1995	11.81	5.98	100¾	—	107⅞	100¾
Exch 3pc Gas 1990-95	3.04	5.95	98⅞	—	103⅛	97⅛
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Funding 3½pc 1999-4	4.72	7.30	74⅛xd	[illegible]	[illegible]	[illegible]
Conversion 9½pc 2004	8.97	8.61	105⅞	[illegible]	[illegible]	[illegible]
Treas 6¾pc 2004‡‡	7.84	8.50	86⅛	[illegible]	[illegible]	[illegible]
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Index-Linked (b)						
2pc '96 (67.9)	2.82	4.21	200¾	[illegible]	203⅜	197⅞
4⅝pc '98‡‡ (135.6)	3.09	3.89	108⅞	[illegible]	113⅛	105⅞
[illegible]						

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 12

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88⅛	88⅝	-¼	8.52
Alberta Province 7⅝ 98	1000	98¼	98½	-⅛	8.16
Austria 8½ 00	400	101⅜	101⅝	-¼	8.15
Bank Ned Gemeenten 7 99	1000	95⅞	96⅛	-¼	8.08
Bank of Tokyo 8⅜ 96	100	100⅛	100½	-⅛	8.21
Belgium 5½ 03	1000	82¼	82½	-¼	8.41
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	100⅝	100⅞	-⅛	6.87
Volkswagen Intl Fin 7 03	1000	93⅞	94½	-¼	8.01
World Bank 0 15	2000	20⅝	21⅛	-⅛	7.80
World Bank 5⅞ 03	3000	88⅝	89	-½	7.84
World Bank 8¼ 00	1250	109¼	112	-½	6.63
SWISS FRANC STRAIGHTS					
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	92⅝	92⅞		9.30
Alliance Leics 11⅜ 97 £	100	105½	105⅞	-⅛	8.69
British Land 8⅞ 23 £	150	88⅝	90¼	-⅝	10.22
Denmark 6¾ 98 £	800	93¾	94	-¼	8.78
EIB 10 97 £	637	103¼	103½		8.32
Halifax 10⅝ 97 £	100	103⅝	104		8.48
[illegible]					

[illegible]

هكذا من الاصل

هكذا من الأصل

Some of the *little start ups* you'll find on The Nasdaq Stock Market:

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REUTERS

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The stock market for the next 100 years

Eastern advances 27% to £98m

By Michael Smith

Eastern Group said yesterday it was asking the regulator to lift limits on the amount of electricity it could generate as it revealed a 27 per cent increase in interim pre-tax profits from £77.4m to £98.1m.

Mr John Devaney, chief executive, said it had asked the regulator to lift a restriction that means it can buy only 15 per cent of its power from companies it owns or with which it is associated.

Eastern has used up 83 per cent of the limit, more than any other regional electricity company. "We are prepared to supply competition to the generators," said Mr Devaney. "Why should we be falsely capped?"

Mr Devaney said his company had spoken to the electricity generators following their commitment to try to sell off up to 6 gigawatts of capacity. He said: "No-one is getting much clarity from the generators."

Mr Eric Anstee, finance director, said that even with existing interests, the company expected to make about a quarter of its profits from generation within a few years.

In the half year to September 30, Eastern increased turnover from £799m to £820.4m. Earnings per share were 28.4p (20.9p) and the interim dividend is 8.25p (6.6p).

The company announced a £28m rebate for domestic and small business customer, making a total of £46m for the year.

Cuts in staff helped the company to reduce operating costs in the distribution business by 7 per cent. Units distributed rose 2.4 per cent.

Distribution operating profits were 16 per cent ahead at £82.4m (£71m) while supply showed a 38 per cent improvement to £8.7m (£6.8m).

Generation contributed profits of £2.2m, against losses of £600,000, and gas £300,000 (£200,000 loss). However, retailing made £1.9m, a sharp drop on the previous £3.1m.

Analysts believe Eastern's commitment to retailing through its Powerhouse joint venture may be challenged unless the performance improves.

Mr Anstee said gearing was likely to rise from about 18 per cent at September 30, when debt was £154m, to 20 per cent at the year end.

Trio halved to £2.4m and calls for £6.5m

By Christopher Price

Trio Holdings, the international money and securities broker, blamed "subdued market conditions" for the halving of pre-tax profits from £5.08m to £2.4m in the year to September 30.

The group also announced a £6.5m rights issue to fund its modernisation programme and expand its operations further.

The issue, of up to 27.8m new ordinary shares, is on the basis of 1-for-2, priced at 25p. The shares closed 1p higher yesterday at 24p.

Mr David Hagan, chairman, said the company had already re-equipped a third of its workforce in its move to develop a comprehensive global money markets operation.

He said that during the year Trio had taken management control of a Japanese broker and had also extended and updated its market operations in the London, New York and Frankfurt markets.

Mr Hagan added that the group was keen to pursue joint venture opportunities in east Asia.

Recent interest rate rises in the UK and US pointed to an upturn in the group's fortunes, he said.

Turnover increased by 36 per cent to £99.1m (£72.7m). Earnings per share dropped from 3.1p to 0.71p and the dividend for the year is cut to a nominal 0.1p (2.5p).

Regent Pacific Group, a Canadian investment company which owns 14.95 per cent of Trio, and Inuvialuit Investments, another Canadian group, have underwritten the issue.

£4.39m losses rule out final dividend from JFB

By Tim Burt

Johnson & Firth Brown, the specialist engineering group, yesterday failed to declare a dividend for the first time in 10 years after heavy restructuring costs and subdued demand undermined its results for the year to September 30.

Reporting pre-tax losses of £4.39m against profits of £3.06m, the group said it would concentrate on improving the performance of its core forging and light engineering activities rather than use reserves to pay dividends. A total of 1.35p was paid last time.

Although Mr Martin Llowarch, chairman, said the group was anxious to restore dividend payments, he ruled out such a move following a year in which the company lost £2.49m on the disposal of six light engineering subsidiaries and incurred further restructuring costs of £1.47m.

"A lack of volume and reduced profits contributed to the poor results," he said. "And we had difficulty seeing where the light engineering companies were going."

Operating profits, including a £64,000 loss on discontinued operations, fell from £4.83m to £1.54m on turnover virtually unchanged at £130.1m.

Firth Rixson, the group's UK forging and alloy business, reported profits down from £2.8m to £2.1m, while profits at its remaining light engineering businesses fell from £1.04m to £106,000.

Even so, Mr Llowarch said the company had seen orders increase 30 per cent in recent months and both divisions were now enjoying healthy profits growth. He warned, however, that the businesses could come under margin pressure under the impact of raw material price increases, particularly for steel.

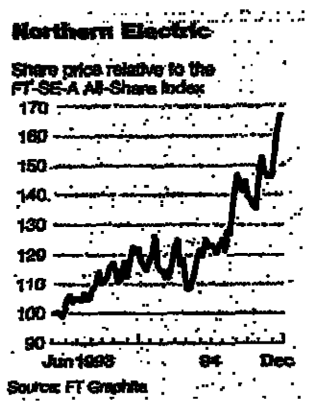
To counter such increases, he said the group would use provisions of £750,000 to reorganise Firth Rixson's North American activities – mainly supplying aircraft engine manufacturers – and impose stricter controls on the light engineering businesses.

Gearing was unchanged at 36 per cent, although the £6.25m raised from the sale of non-core businesses helped reduce net borrowing from £18.2m to £16.5m.

Losses per share came out at 3.6p (earnings of 1.4p).

Supply side improvement as Northern Electric rises 21%

By Michael Smith



A sharp improvement in the performance of its supply business helped Northern Electric lift pre-tax profits by 21 per cent to £63.4m, against £52.6m, in the six months to September 30.

Northern is among the most active of the regional electricity companies in the supply market, part of which was opened up to competition in April. Supply profits rose from £2.8m to £12.8m.

Mr David Morris, chairman, said this should lay to rest any uncertainty felt by others about the policy.

However, analysts were unconvinced, with some saying that the supply business had been helped by the regulatory cap on prices in the electricity wholesale pool.

Group turnover was £490.7m (£460.7m). The interim dividend of 9.6p (7.4p) will be paid from earnings of 39p (32.1p).

Mr Morris said the company intended to reduce dividend cover from 3.2 times at the last year end to towards two over the next few years.

Mr Tony Hadfield, chief executive, said the company benefited from an upturn in the regional economy. He pointed to strong inward investment from overseas companies including Samsung.

Stripping out the effects of coal mine closures, distribution volumes grew by 1.5 per cent for operating profits of £30m (£36m), but this was after a £10m charge for redundancy costs. Mr Hadfield said the underlying profits increase in distribution was 15 per cent.

Northern yesterday joined the growing number of recs which say they intend to demerge the whole of their holding in the National Grid. Northern owns 6.5 per cent.

Mr Alan Groves, finance director, said the company expected gearing to be 10 to 15 per cent by the year end. Net cash at the end of September was £91m but £126m payments for a share buy-back were made after the half year ended.

Mr Morris disclosed that the company had made an unsuccessful NZ$90m (£36.6m) bid for 49 per cent of Capital Power, an electricity distributor in Wellington, New Zealand.

Northern cut 136 jobs in the period to 4,493 and expects to cut 300 more by the year end.

Richards loss at £4.9m after provisions

The closure of its carpet factory in Northern Ireland and its knitwear activities in Ayrshire resulted in Richards, the Aberdeen-based textile company, reporting annual pre-tax losses of £4.92m, against £71,000.

The company had warned of a "significant write-off" when it announced the carpet closure in August. However, the shares still lost 5p yesterday to close at 38p. There were provisions and losses on the closures of £3.97m.

Turnover for the year to September 30 was £75.1m (£67.8m) with £15.7m (£17.6m) from discontinued activities.

Operating losses were £465,000 (£147,000) with losses on discontinued activities of £1.28m (£1.34m). Continuing operations showed a 54 per cent increase in operating profits.

Losses per share were 17.31p (earnings 0.54p) and the proposed final dividend is 0.93p for a total of 2p (3p).

Enlarged Brandon Hire jumps to £610,000

By Roland Adburgham, Wales and West Correspondent

Pre-tax profits at Brandon Hire jumped from £99,000 to £610,000, on sales doubled to £4.69m, in the six months to October 31.

Mr Brian Nathan, chairman of the Bristol-based hirer of power tools and catering equipment and distributor of industrial fasteners, described the period as the most significant in the company's history.

Mr John Laycock became chief executive in May when his company JSL Fasteners was acquired by Brandon Hire, in which he now holds 42 per cent of the share capital.

Mr Nathan said Mr Laycock had "set out on the promised path without delay and a programme of controlled expansion is proceeding". He added: "I do not wish to be over-optimistic but I look forward to the future with considerable enthusiasm."

In October, Beechwood Hire and Sales, with seven branches in south Wales and one in Bristol, was bought for £1.8m. Winchester Tool Hire was acquired earlier this month.

Earnings per share were 3.3p (0.86p).

The company is changing its year-end from April 30 to December 31 and the current trading period will cover the eight months to end-December. It intends to declare a combined interim and final dividend for that period.

Upton chief defends tripled salary level

By Neil Buckley

Mr Jeffrey Gould, chief executive of the lossmaking Upton & Southern retail group, earned £153,000 in the 18 months to July 31 – three times what his predecessor in the post was earning on an annualised basis.

According to Upton's annual report, Mr Alan Watts, chief executive before new management was brought in in January 1993, earned £34,000 in his final 12 months.

Mr Gould defended the increase, saying that Upton, which ran into difficulties after acquiring the Reject Shop in March, was now "a much larger company and a turnaround situation".

NEWS DIGEST

Electronic Data slips to £4.12m

An increase in research and development costs led to pretax profits falling from £4.67m to £4.12m at Electronic Data Processing in the year to end-September.

Turnover also fell slightly to £14m (£14.3m) reflecting the "tough environment" at a time when the company was undergoing a period of transition, said Mr Michael Heller, chairman.

In the course of the past three years the group has shifted from being a supplier of hardware and some software to being primarily a software publisher and services provider, he added.

Research and development costs amounted to £1.57m (£1.41m) while net interest receivable fell from £563,000 to £540,000. Cash balances at the year end, however, had grown to £12.2m, compared with £10.9m at the beginning of the year.

An increased final dividend of 1.333p is proposed making 2p (1.833p), payable from earnings of per share down from 11.71p to 10.21p.

Hamlet ahead

Hamlet Group, the clothing distribution company which came to the market in October 1993, raised pre-tax profits for the half year to September 30 from £2m to £2.32m.

The increase was struck on turnover ahead by 13 per cent at £34.6m, compared with £30.5m.

Mr Malcolm Dagul, chairman, said the figures represented expansion in both domestic and European markets, and incorporated the results of Hong Kong-based Citi-March for the first time.

Earning per share were ahead to 4.44p (4.41p). The maiden interim dividend is 2.1p.

Albrighton

Albrighton, the USM-quoted quarrying company, reported pre-tax profits down from £324,000 to £105,000 on turnover more than doubled from £1.74m to £4.21m for the six months to end-September.

The increase in turnover – largely the result of acquisitions made in the second half last year – had been below budget, directors said.

This, coupled with other factors, had led to an unfavourable product mix and higher costs over the period, they added.

After a £10,000 profit from an associate undertaking, against a of £29,000, and increased interest payable of £120,000 (£73,000), earnings came out at 0.1p (0.6p) per share. The interim dividend is unchanged at 0.1p.

MS International

MS International reported interim pre-tax losses of £918,000 following "exceptional and difficult trading" in two of its subsidiary companies, MSI-Transportation Systems and Ernst Wilhelm.

Last year, there were pre-tax profits for the six months to October 29 of £462,000.

The interim dividend is passed (1p) while payment of a final will be considered when the full-year results are known.

Losses per share emerged at 2.7p, compared with earnings of 1.1p.

The shares, which fell sharply last month following a profits warning, closed yesterday at 26p.

Turnover was flat at £14m (£13.9m), including £210,000 from acquisitions.

British Thornton

Sega, the Japanese computer games group, has informed British Thornton Holdings that it will not be renewing its exclusive distribution contract when it expires next March.

BTH said the terms required to secure renewal would not have provided it with a satisfactory return, adding that it believed longer-term market volumes in the video games industry would continue to decline.

BTH said its trading results for the year to April 30 1995 would not be materially affected by the termination of the contract.

Scotia licence

Scotia, the UK's third biggest biotechnology company by market capitalisation, has licenced a dermatitis drug to Galderma, a company jointly owned by L'Oreal of France and Nestlé of Switzerland.

The deal will bring Scotia "in excess of £3m in cash" over the next three years.

The drug treats seborrhoeic dermatitis, a fungal skin disease.

Galderma is already a licencee for the drug in Germany. The new deal extends that arrangement to the rest of Europe and the US.

Under the terms of the agreement, Galderma will bear the cost of clinical trials needed for regulatory approval in the US.

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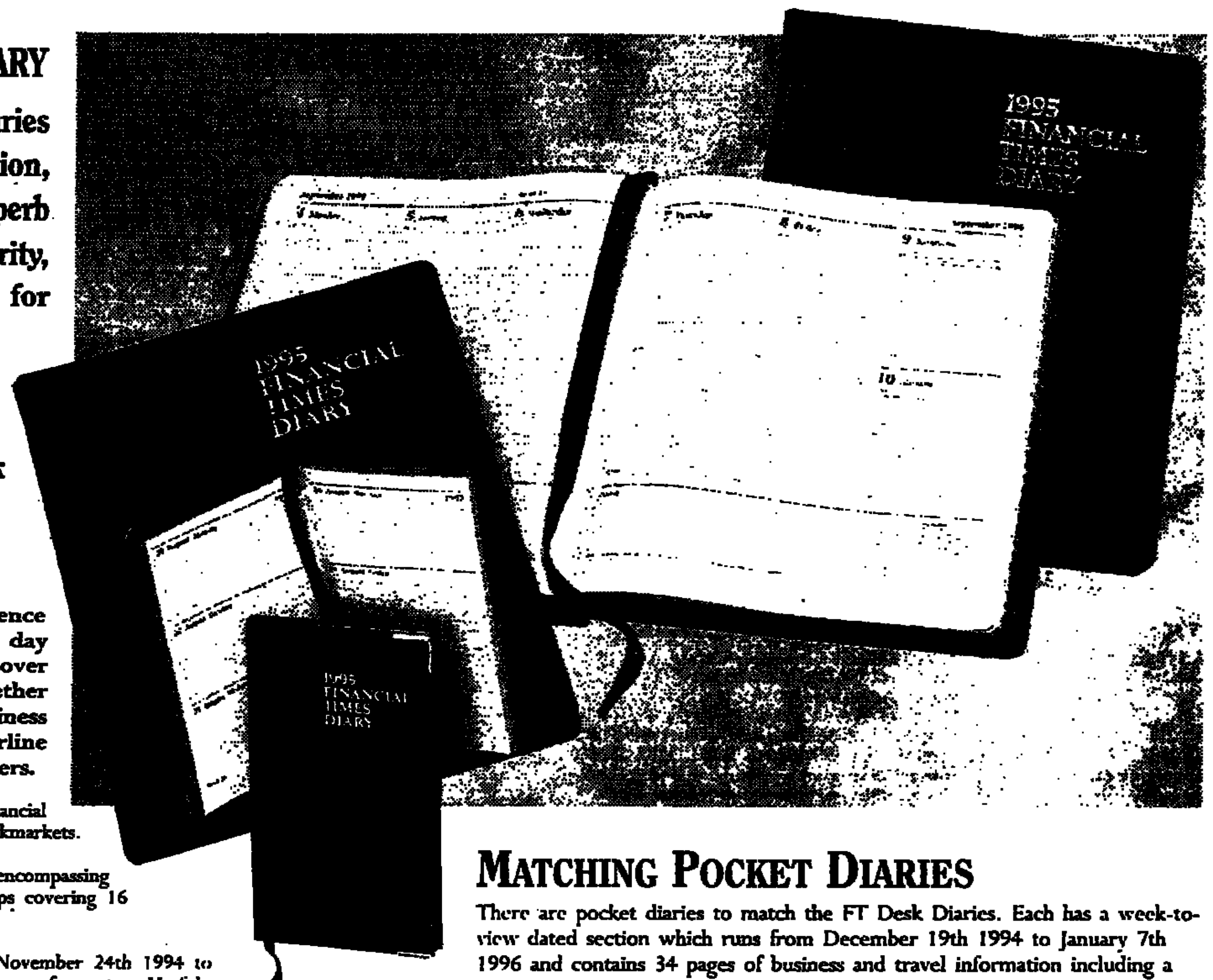

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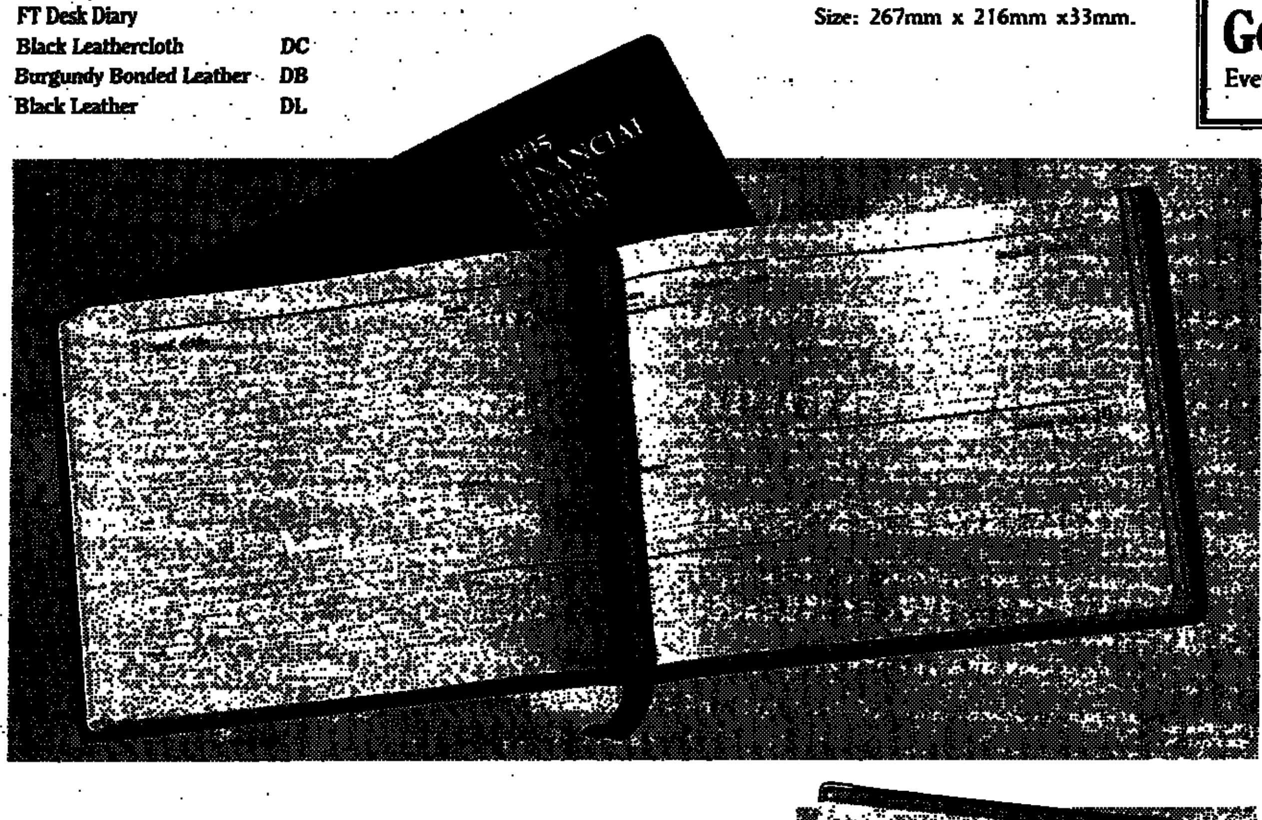

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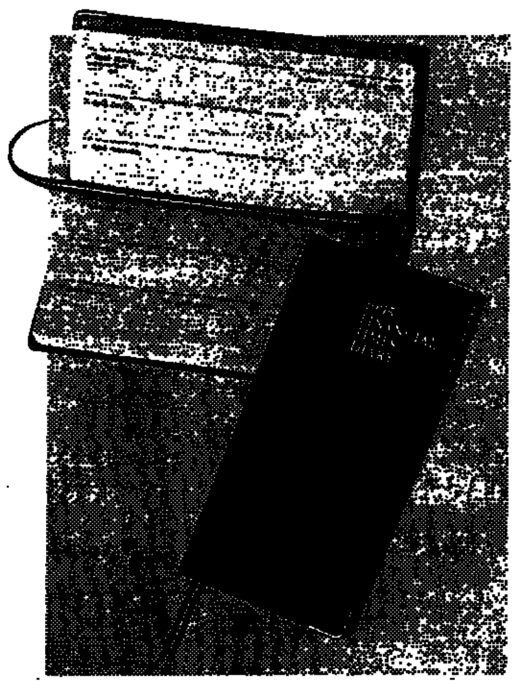

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EASTERN GROUP INTERIM RESULTS

A POWERFUL PERFORMANCE FOR SHAREHOLDERS & CUSTOMERS

I am pleased to announce half year results which demonstrate significant growth in earnings, based on a robust performance in our core distribution and supply businesses. Profit before tax has increased by 26.7% to £98.1m and earnings are up 34.6% to 28.4p per share.

Against this background, and with an increasing contribution expected from gas and generation in the second half, the Directors have declared an interim dividend of 8.25p per share. This represents an increase of 18.5% in the total dividend pay out and 25.0% on a dividend per share basis, reflecting the benefit to shareholders of our share buy-back in early 1994.

ELECTRICITY DISTRIBUTION AND SUPPLY

Our strategy for distribution has been to combine cost reduction with improved customer service; and our supply business strategy has sought to exploit our position as one of the largest participants in the newly competitive markets. Both strategies are on course and have met with success.

Our distribution business increased operating profits by 16% to £82.4m over the period, recording an increase of 2.4% in units distributed compared to the same period last year when consumption was relatively flat.

The growth began in the second half of last year, and so this rate of increase is unlikely to apply to the whole of this year. Sales and gross profit in the competitive electricity markets have benefited from the efforts made by our sales and trading teams over the past year. We have increased our share of the over 100kW competitive market and now trade 15% of the overall electricity market in England and Wales. Our operating profit in the supply business has increased by 38% to £8.7m.

Operating costs in the distribution business were reduced by 7% in real terms, further cutting back the underlying cost base which emerged from our first round of restructuring in 1993. We have recently announced the next step with our Process Re-engineering Programme, which will involve a radical change in the way we run the engineering function within our distribution business. We are increasing our investment in the network substantially over the next five years, with a step change in technology which will improve customer service and reduce the need for routine maintenance and repairs without compromising safety standards. As we have stated, this will enable us to release 450 staff over the next two years, and re-deploy a further 650 staff to carry out the necessary capital work, resulting in additional annual savings in operating costs of £25m by 1997/98.

CUSTOMERS

We are today announcing a rebate of £12 for customers on our Economy 7 tariffs, with £8 for other domestic and small business customers. This means that we will have rebated £46m to customers over this financial year and between £34 and £48 per customer (£126m in total) since July 1993. Our customer service programme continues and we are making good progress towards achieving optimum efficiency in our 24 hour service centres. Eastern remains one of the lowest cost suppliers of electricity to the domestic consumer, confirming our commitment to provide customers with both low cost energy and better service.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1994

	1994	1993
TURNOVER	£820.4m	£799.0m
PROFIT BEFORE TAX	£98.1m	£77.4m
ADJUSTED EARNINGS PER SHARE	28.4p	21.1p
DIVIDEND PER SHARE	8.25p	6.6p

- Profit before tax up 27% on increased turnover.
- Adjusted earnings per share 35% higher.
- Interim dividend per share up 25%.
- Controllable operating costs in distribution down 7% in real terms.
- Peterborough power station (360MW CCGT) now wholly owned.
- Continued advances in gas business.
- £28m rebate today for domestic and small business customers making a total of £46m this year.

OTHER BUSINESSES

We have continued to invest in our gas and generation businesses, recognising their relationship with electricity and the opportunities for medium term profit and growth arising from establishing a targeted presence in all three markets. We are now seeing early returns from this strategy. Our generation business has successfully maintained its pace of development and is on course to make an increased contribution to operating profit in the year. We were pleased to announce in September the purchase from BTR of its 50% holding in the jointly developed Peterborough power station, which means that we will benefit from the whole of the profit from winter output. The Barking station in which we have a 13.5% interest is on target to be commissioned next spring; and construction has now started on our 340MW King's Lynn plant which should be in full commercial production by December 1996.

As one of the top ten gas retailers in the UK with a growing portfolio of commercial and industrial customers covering over 8000 sites, we look forward to the opening of the competitive domestic market outlined in the Queen's speech. Gas from the Johnston field began flowing in October and will boost the profit contribution from wholesaling for the year. We have secured further long term supplies from the Schooner gas field from October 1996 onwards.

Contracting has now been put on to a better footing and operating losses were reduced to almost half the level reported last year. The loss making business of F W Cook was sold at the end of June.

High street trading conditions in electrical retailing have been tough for Powerhouse and its competitors, and an operating loss of £2.7m was reported of which our share was £1m. The overall operating profit from the retail business was £1.9m after including rents and other services provided to Powerhouse.

CASH FLOW AND BALANCE SHEET

Our balance sheet primarily reflects the structural changes we have made since last year end, in particular the completion of the purchase of 5% of our own shares, the issue of our £350m bond, the repayment of the government debenture loan and bonds and the consolidation of £174m non-recourse debt in respect of Peterborough Power, which together resulted in an increase in gearing to 17.6%. Our underlying cash flow remains strong, although operating cash inflow was £81m less than last year, largely as a result of customer payments made in advance of VAT last year and the phasing of electricity purchases and settlements this year. Gross capital expenditure on the network increased by 22% to £35m.

NATIONAL GRID

As the largest shareholder, Eastern has a valuable 12.5% stake in the National Grid. We believe that the best value for our shareholders would be achieved by the flotation of the business. Beyond this it would be inappropriate to comment in detail until discussions with HMG have been finalised.

PROSPECTS

While our emphasis has been on the electricity business, we have not neglected opportunities to use our proven expertise to expand into profitable related businesses. These activities are expected to generate a good contribution in the second half, and we look forward with confidence to the results for the year.

We emerged from the Distribution Price Review with one of the lowest price adjustments in recognition of our efficiency. Whilst it has set us challenging targets, we are confident of our ability to meet them over the five years ahead.

We remain committed to our objective of maximising shareholder value, and will regularly review the best means of delivering this over both the short and longer term.

James C. Smith, Chairman

GROUP HISTORICAL COST RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 1994

	Notes	(Unaudited) 1994 £m	1993 £m	(Audited) 1993/94 £m
Turnover	2	820.4	799.0	1,846.3
Cost of sales		(588.4)	(573.4)	(1,335.8)
Gross profit		232.0	225.6	510.5
Operating costs		(135.8)	(138.7)	(277.2)
Exceptional restructuring and reorganisation costs		-	(8.6)	(38.3)
		(135.8)	(147.3)	(315.5)
Income from interest in associated undertakings		0.4	(0.6)	0.2
Operating profit	2	96.6	77.7	195.2
Goodwill on disposal of business		(2.3)	-	-
Income from fixed asset investments	3	8.5	7.4	23.5
Net interest	4	(4.7)	(7.7)	(15.1)
Premium on bond repurchase		-	-	(26.8)
Profit on ordinary activities before taxation		98.1	77.4	176.8
Taxation	5	(25.0)	(20.9)	(53.5)
Profit on ordinary activities after taxation		73.1	56.5	123.3
Minority interests		0.4	-	-
Profit for the period		73.5	56.5	123.3
Dividends	6	(21.1)	(17.8)	(59.6)
Profit retained		52.4	38.7	63.7
Basic earnings per ordinary share	7	28.4p	20.9p	45.7p
Adjusted earnings per ordinary share	7	28.4p	21.1p	62.2p
Dividend per ordinary share	6	8.25p	6.6p	23.0p

There are no recognised gains or losses other than the profits for the periods shown above. There are no differences between the results disclosed above and those on an unmodified historical cost basis.

GROUP HISTORICAL COST BALANCE SHEETS

	Notes	(Unaudited) 30 September 1994 £m	30 September 1993 £m	(Audited) 31 March 1994 £m
Fixed assets				
Tangible assets		987.7	748.8	769.0
Investments		152.6	160.6	173.8
		1,140.3	909.4	942.8
Current assets		733.4	464.6	548.3
Current liabilities		(429.5)	(338.5)	(575.2)
Net current assets/(liabilities)		303.9	126.1	(26.9)
Total assets less current liabilities		1,444.2	1,035.5	915.9
Debenture loan and bonds	8	(350.0)	(118.0)	-
Other long term liabilities	9	(174.5)	-	-
Provisions	10	(42.5)	(30.6)	(45.5)
Net assets		877.2	886.9	870.4
Capital and reserves				
Called up share capital		128.9	135.2	132.0
Reserves	11	748.5	751.6	738.4
Minority interests		(0.2)	0.1	-
		877.2	886.9	870.4
Net debt	12	(154.0)	(8.0)	55.5
Gearing		17.6%	0.9%	-6%

GROUP CASH FLOW STATEMENTS

	Notes	(Unaudited) 1994 £m	1993 £m	(Audited) 1993/94 £m
Net cash inflow from operating activities	15	100.8	182.0	431.0
Returns on investments and servicing of finance				
Interest received		6.2	5.5	11.1
Interest paid		(7.0)	(11.2)	(22.1)
Dividends paid		-	-	(54.6)
Dividends received from fixed asset investments		-	-	16.6
Net cash outflow from returns on investments and servicing of finance		(0.8)	(5.7)	(49.0)
Taxation				
Tax paid		(26.3)	(3.2)	(41.7)
Investing activities				
Purchase of tangible fixed assets		(54.3)	(41.1)	(90.4)
[illegible]		(10.3)	-	-
[illegible]		13.9	(6.2)	(18.2)
Other investments	16	(351.5)	(2.2)	(4.0)
Sale of tangible fixed assets		1.8	1.1	1.8
Customers' contributions		11.5	9.8	21.6
Net cash outflow from investing activities		(388.9)	(38.6)	(98.2)
Net cash (outflow)/inflow before financing		(315.2)	134.5	242.1
Financing:				
Issue of ordinary share capital		1.2	0.7	1.9
Cancellation of ordinary share capital		(44.2)	-	(45.3)
Repayment of debenture loan and bonds		(194.8)	(32.0)	(32.0)
Proceeds from bond issue		350.0	-	-
Net cash inflow/(outflow) from financing		112.2	(31.3)	(75.4)
(Decrease)/increase in cash and cash equivalents		(203.0)	103.2	166.7

NOTES

1. Basis of preparation

The interim results for the six months ended 30 September 1994, which are unaudited, have been prepared on the basis of the accounting policies for the year ended 31 March 1994.

Electricity purchase costs and sales income, at the interim stage, are recognised on the basis of the expected level of unit sales in each half of the year. This ensures that the structure of purchase contracts or sales tariffs will not distort interim reported profits and that such reported profits reflect underlying activity levels. All foreseeable losses on purchase and sales contracts continue to be recognised as soon as they are identified.

The financial information contained in this interim statement does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985 and should be read in conjunction with the annual accounts for 1993/94.

The results for the year 1993/94 are abridged from the full accounts for that year, which contain an unqualified auditors' report and have been delivered to the Registrar of Companies.

2. Turnover, operating profit and net assets by activity

Turnover, all in respect of sales made in the United Kingdom, operating profit and net assets are attributable to the following activities:

	Turnover 1994 £m	Turnover 1993 £m	Turnover 1993/94 £m	Operating Profit 1994 £m	Operating Profit 1993 £m	Operating Profit 1993/94 £m	Net Assets 1994 £m	Net Assets 1993 £m	Net Assets 1993/94 £m
Distribution	204.3	193.0	442.9	82.4	71.0	200.4	747.3	719.6	733.2
Supply	763.0	739.4	1,714.7	8.7	6.3	19.0	18.3	85.7	11.4
Generation	2.3	-	0.1	2.2	(0.6)	(0.5)	40.9	10.2	18.1
Gas	12.4	5.5	26.3	0.3	(0.2)	0.5	8.1	0.8	0.2
Contracting	22.4	25.8	52.2	(1.0)	(1.8)	(5.6)	11.8	11.9	12.9
Retailing	4.2	6.3	9.4	1.9	3.1	1.9	58.1	81.5	81.5
Other	3.1	2.3	4.1	2.1	0.6	1.0	9.0	4.0	4.5
	1,011.7	972.3	2,250.7	96.6	78.4	216.7	893.5	913.7	861.8
Inter-activity sales	(191.3)	(181.2)	(420.2)	-	-	-	-	-	-
Regulatory income related to prior years	-	7.9	16.8	-	7.9	16.8	-	-	-
Exceptional restructuring and reorganisation costs	-	-	-	-	(8.6)	(38.3)	(27.4)	(11.0)	(32.3)
Unallocated net assets	-	-	-	-	-	-	530.2	285.9	220.1
Unallocated net borrowings (Company)	-	-	-	-	-	-	(518.5)	(301.7)	(179.2)
	820.4	799.0	1,846.3	96.6	77.7	195.2	877.8	886.9	870.4
The Group's share of the results of associates included above is:									
Generation				1.4	-	1.9	-	-	7.5
Retailing				(1.0)	(0.6)	(1.7)	44.0	55.3	59.2

Regulatory income related to prior years arises in distribution (1993 interim £2.0m, 1993/94 £4.2m) and supply (1993 interim £5.9m 1993/94 £12.6m). Exceptional restructuring and reorganisation costs arise in distribution (1993 interim £5.5m, 1993/94 £37.7m), supply (1993 interim £2.6m, 1993/94 £0.6m) and contracting (1993 interim £0.5m).

3. The National Grid Holding plc

Included within profit before taxation is £8.5m interim dividend receivable from The National Grid Holding plc (1993 interim £7.4m and total for year £23.5m).

4. Net interest

	1994 £m	1993 £m	1993/94 £m
Interest payable	(16.6)	(11.2)	(25.6)
Interest receivable	11.9	3.5	10.5
	(4.7)	(7.7)	(15.1)

5. Taxation

Taxation for the six months ended 30 September 1994 has been provided on the basis of the estimated effective tax rate for the year ending 31 March 1995.

6. Dividends

The interim dividend of 8.25p per ordinary share is payable on 21 March 1995 to shareholders on the register at the close of business on 2 February 1995.

7. Earnings per share

Earnings per ordinary share for the six months ended 30 September 1994 have been calculated by dividing the profit for the period of £73.5m by the weighted average number of ordinary shares in issue of 259.0 million (1993 interim 270.2 million, 1993/94 270.0 million).

	Earnings 1994 £m	Earnings 1993 £m	Earnings 1993/94 £m	Earnings per share 1994 p	Earnings per share 1993 p	Earnings per share 1993/94 p
Basic earnings	73.5	56.5	123.3	28.4	20.9	45.7
Premium on bond repurchase	-	-	26.8	-	-	9.9
Restructuring and reorganisation costs (net of tax)	-	5.8	29.1	-	2.1	10.8
Regulatory income related to prior years (net of tax)	-	(5.3)	(11.3)	-	(1.9)	(4.2)
Adjusted earnings	73.5	57.0	167.9	28.4	21.1	62.2

The Directors believe these adjustments provide a measure of earnings per share which is more meaningful. The dilutive effects of unexercised options is not material.

8. Debenture and bonds

On 26 April 1994, Eastern issued £350m 8.375% bonds, due 2004. The proceeds are to be used to assist the growth of the Group in the coming years.

9. Other long term liabilities

Other long term liabilities represent non-recourse finance for Peterborough Power Ltd, the wholly owned subsidiary operating a 360MW combined cycle gas turbine generating station.

	£m
Amounts falling due after more than one year at 30 September 1994 are:	
Amounts due between one and five years	34.4
Amounts due after five years	140.1
	174.5

10. Provisions

	Restructuring and Reorganisation £m	Pensions £m	Other £m	Total £m
Balance at 1 April 1994	32.3	1.7	11.5	45.5
Transferred from profit and loss account	-	-	3.5	3.5
Applied during the period	(4.9)	-	(1.6)	(6.5)
Balance at 30 September 1994	27.4	1.7	13.4	42.5

11. Reserves

	Share Premium Account £m	Revaluation Reserve £m	Capital Redemption Reserve £m	Capital Reserve £m	Statutory Reserve £m	Profit and Loss Account £m	Total £m
Balance at 1 April 1994	1.7	97.5	3.4	7.9	0.6	627.3	738.4
Shares issued under share option scheme	0.9	-	-	-	-	-	0.9
Purchase of own shares	-	-	3.4	-	-	(44.2)	(40.8)
Goodwill arising on consolidation	-	-	-	-	-	(2.4)	(2.4)
Retained profit for the period	-	-	-	-	-	52.4	52.4
Balance at 30 September 1994	2.6	97.5	6.8	7.9	0.6	633.1	748.5

12. Net Debt

	1994 £m	1993 £m	1993/94 £m
Investments (included in current assets)	380.0	147.4	201.0
Cash at bank	27.1	13.8	33.7
Bank borrowings	(211.1)	(1.2)	(11.2)
Bonds and debentures	(350.0)	(168.0)	(168.0)
	(154.0)	(8.0)	55.5

13. Capital commitments

On 27 September 1994, the Group announced that Eastern Generation had signed a construction contract for a 340MW combined cycle gas turbine generating station at King's Lynn. The total cost of the project (including the construction contract) is estimated to be £160m.

14. Reconciliation of movement in shareholders' funds

	£m
Profit for the period	73.5
Dividends	(21.1)
	52.4
New share capital subscribed	1.2
Purchase of share capital	(44.2)
Goodwill adjustment	(2.4)
Net addition to shareholders' funds	7.0
Opening shareholders' funds	870.4
Closing shareholders' funds	877.4

15. Reconciliation of operating profit to net cash flow from operating activities

	1994 £m	1993 £m	1993/94 £m
Operating profit	96.6	77.7	195.2
(Income)/loss from interests in associates	(0.4)	0.6	(0.2)
Depreciation	26.6	24.5	51.3
Movements in provisions	(3.0)	1.6	16.5
Increase in stocks	(1.2)	(1.7)	(0.8)
Decrease in debtors	10.8	60.8	48.9
(Decrease)/increase in creditors	(28.6)	18.5	120.1
Net cash inflow from operating activities	100.8	182.0	431.0

16. Other investments

Other investments include the short term reinvestment of the proceeds of the Group's £350m bond issue.

17. Units distributed (millions)

	1994	1993	1993/94
Domestic	5,148	5,059	12,806
Commercial	3,871	3,776	8,361
Industrial	3,632	3,498	7,194
Other	666	672	1,453
	13,317	13,005	29,814

18. Approval

The interim report was approved by the Board of Directors on 11 December 1994.

EASTERN

Eastern Group includes Eastern Electricity, Eastern Generation, Eastern Natural Gas and Eastern Contracting.
Copies of this announcement may be obtained from the Company Secretary, Eastern Group plc, Wherstead Park, P.O. Box 40, Wherstead, Ipswich, Suffolk, IP9 2AQ.
For shareholder enquiries please ring 0345 959697.
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COMPANY NEWS: UK

API advances 30% to £7.02m

By Peter Pearse

Pre-tax profits at API Group, the packaging, coatings and office consumables company, rose 30 per cent from £5.41m to £7.02m in the year to October 1.

Group turnover rose 8 per cent to £79.6m (£73.4m) and operating profits expanded 33 per cent to £6.8m (£5.11m). Within these, Arnold Belford, the specialist coatings company bought in June for £1.7m cash, contributed £799,000 to turnover and £73,000 to profits.

Diffusion, the only company left in the heating and ventilation division until its sale in February for £1.5m, made £185,000 (£208,000) on turnover of £1.39m (£3.93m).

Mr Michael Smith, chief executive, drew attention to the margin increases, both across the group on continuing operations from 7.1 to 8.5 per cent, and within the two divisions. In foils and laminates, the margin rose from 8.1 to 9.3 per cent and in converted film and paper products the growth was from 10.1 to 11.7 per cent.

Mr Smith said that so far the group had managed to pass on raw material price rises, mostly experienced in the final quarter, and expected to be able to continue to do so.

However, he stressed that API was not beholden to the whims of raw material suppliers as other packaging groups were: rather, it made premium products often for niche markets.

Again, the alliances API had created with both suppliers and customers – accounting for 30 to 40 per cent of sales – were cited as strengths to help offset the pressures on prices, as was the group's commitment to reduce waste, which accounts for 5 per cent of sales.

Michael Smith: universal foil could 'revolutionise' business

From an R&D budget that works out at about 3 per cent of sales, API is developing an alternative to holograms for banknotes, for example, which cannot be copied. It has also developed a universal foil, which Mr Smith said could "revolutionise the foil business". API has an exclusive contract with Polaroid for the laminating of film for the medical and graphics markets, and the market for thermal transfer systems is growing at 20 per cent a year. The group is investing £8m over three years in a greenfield plant to manufacture metallised paper, a market estimated at £300m.

On the acquisition front, Mr Smith said API would announce "something significant" in the next three to six months, in the UK, Europe or the US.

Earnings grew to 21.8p (16.8p) per share and a final dividend of 5.38p lifts the total to 9.08p (8.25p).

NEWS DIGEST

Hardys & Hansons ahead 10%

Hardys & Hansons, the Nottingham-based brewer, lifted pre-tax profits from £7.04m to £7.72m during the 12 months to September 30.

The 10 per cent increase was achieved on turnover ahead just 3 per cent at £32.7m (£31.7m) and took in a £102,000 (£78,000) surplus on fixed asset disposals.

A revaluation of the group's freehold and leasehold estate threw up a surplus of almost £31m. Mr Richard Hanson, chairman, said that shareholders' funds stood at £76.8m at the period end, against £43.1m a year earlier.

A recommended final dividend of 6p brings the total for the year to 9.4p (8.5p), covered 2.2 times by earnings of 20.935p (18.835p) per share.

Clayhithe recovers

Clayhithe, the investment holding company, reported pre-tax profits of £301,000 for the six months to September 30, against losses of £210,000.

Turnover was £13.6m, against £16.8m including £4.03m from discontinued activities, giving underlying growth of 11 per cent. Earnings per share were 0.4p (losses 3.3p) and the interim dividend is raised to 0.8p (0.75p).

The company said Horstmann Timers showed considerable improvement and further progress had been made with the reorganisation of the engineering companies.

Samuel Heath falls

Interim pre-tax profits at Samuel Heath & Sons, the hardware and giftware company, fell 24 per cent from £136,000 to £103,000, on turnover ahead 22 per cent at £2.06m, compared with £857,000.

Earnings per share for the half-year to September 30 dipped to 2.3p (3p) but the interim dividend is maintained at 1.6p.

Mr Samuel Heath, chairman, said the result reflected a "dramatic" rise in the cost of raw materials, particularly copper. He also warned that a serious fire at the company's Birmingham factory since the the period-end, and the consequent breakdown in customer service, was likely to have "ill effects" in the future.

Vivat acceptances

Chiefco, the company set up to buy Vivat Holdings, which makes jeans under the Lee Cooper brand, said it owned or had received acceptances for its £36m offer in respect of 45.8m ordinary shares, representing 83 per cent of the issued share capital.

It also owns or has received acceptances in respect of 239,700 preference shares, being 76.6 per cent of the total. Both offers and the loan note alternative remain open for acceptance until December 23 and the deadline could be extended.

BTR's £17m sale

BTR, the industrial conglomerate, has sold its Viennatone subsidiary to ReSound Corp of the US for £17m.

Viennatone, which makes hearing aids, formed part of the Thomas Tilling Group, acquired by BTR in 1983. Turnover last year was £19m.

Mr Alan Jackson, chief executive of BTR, said the company was continuing its strategy of concentrating on industrial manufacturing.

Guinness Peat buy

Guinness Peat, the UK investment vehicle of New Zealand entrepreneur Sir Ron Brierley, has acquired 7.5m ordinary shares, representing 26.8 per cent of the issued share capital, of Turners & Growers.

The NZ$8.4m (£3.4m) deal gives Guinness Peat a total of 28.8 per cent in the New Zealand company, which deals in the marketing of fruit and produce and vehicle auctioneering.

Turners & Growers reported a net loss of NZ$1.87m for the year to March 31, prior to an abnormal loss of NZ$3.88m. Assets stood at NZ$49.2m.

FINANCIAL TIMES
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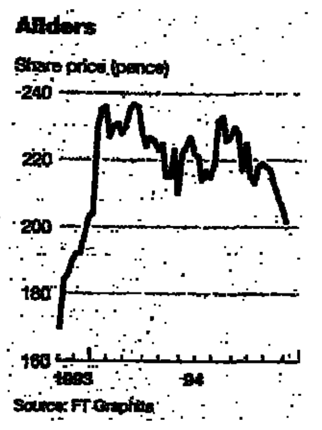
FT FINANCIAL TIMES Newsletters

Flotation pays off as Allders leaps to £25.4m

By David Blackwell

Allders



Source: FT Graphite

The benefit of last year's flotation was seen in the fourfold increase in profits at Allders, the department store and tax and duty free retail group.

Pre-tax profits rose from £6.86m to £25.4m during the year to September 30. The previous period covered 53 weeks. Operating profits rose by almost 17 per cent from £23.1m to £25.1m on sales of £732.9m (£685.5m).

Mr Harvey Lipsith, chief executive, said the group was continuing to show healthy growth. Trading in the 12 department stores since the financial year-end was 6 per cent higher than last year "and the early indications are very encouraging for Christmas".

Mr Lipsith welcomed the Budget increases on drink and tobacco duties: "Let's have more of it, please – we celebrate when the duty goes up."

Operating profits at the department stores rose from £12m to £13.1m on sales of £296.8m (£286.6m). Trading was erratic, the group said, but there was good response to promotions.

A £1.4m rates refund offset profits lost while the Croydon flagship store was being refurbished.

Allders International, the duty free division, lifted operating profits from £13.1m to £13.5m, while sales rose from £399m to £436.2m. Europe contributed £12m (£8.8m), while the North American side fell £1.3m into the red (£1.4m profit), hit by the costs of closing in San Francisco.

Interest payments fell from £8.9m to £1.2m, and would have been £400,000 lower if the flotation had taken place at the start of the financial year. The group ended the year with effectively zero gearing.

Fully diluted pro forma earnings per share before exceptionals were 17.4p (13.9p), while basic earnings were 20.6p (4.3p). The board is proposing a final dividend of 4.5p, giving a total for the year of 6.7p compared with a pro forma 6.1p.

● **COMMENT**

Encouraging signs in the approach to Christmas and a Budget targeting drink and tobacco put smiles on the faces of Allders' management yesterday. Once the figures – not as clearly presented as they could have been – are untangled, the underlying trends appear favourable. The department stores are benefiting from the bias towards consumer durables; the Croydon store has yet to show its full potential; and further stores are being added to the newer Allders at Home concept. Forecasting profits from the duty free side is more difficult. The group, which will be glad to see the back of the troublesome San Francisco contract, is making the business more international and is trying to reduce its dependency on drinks and tobacco sales. Profits of £26.5m this year give a multiple of 12.6, which looks fair value.

Scholl shares dip on profits warning

By Geoff Dyer

Shares in Scholl, the healthcare products group, fell 18½p yesterday to 125p, after it warned that trading conditions remained difficult.

At the same time the group said it would take an £8m exceptional charge against full-year profits to cover restructuring costs following a strategic review.

Mr Neil Franchino, chief executive, said: "Even with two new product launches, we do not anticipate that the shortfall in profits at the interim stage will be made up in the second half of the year." Pre-tax profits for the six months to June 30 fell from £11.7m to £9.96m.

UK sales were down, in part because of continued destocking by retailers and wholesalers. Sales were flat in continental Europe but strong in Asia Pacific.

The forecast final dividend of 3.8p, giving 6.4p for the full year, will be maintained.

The charge includes provision for the loss of 100 jobs. Cost savings should amount to £1.5m in 1996. The group will close 21 retail outlets, mostly in Germany, the UK and Canada. Brand management will be centralised and located in the UK.

Product rationalisation will include the reduction of the number of footcare products from 109 to 57 over the next two years, and a buyer is being sought for Valdor, the French cosmetics business.

Goodwill of £3.7m, previously written off to capital reserves, will be written off through the profit and loss account.

Hunters Armley rises 29%

By Geoff Dyer

Hunters Armley, the commercial printer which last week expanded with the purchase of a private Bristol-based printing company, increased pre-tax profits by 29 per cent in the year to September 30.

Investment in new production facilities and the addition of more than 100 new customer accounts helped lift profits to £3.46m (£2.67m), on turnover up 27 per cent at £41.1m (£32.2m).

Despite increases in paper prices of up to 60 per cent, operating margins rose from 9 per cent to 9.2 per cent. Operating profit jumped 30 per cent to £3.77m (£2.9m).

Mr Brian Sugden, managing director, said: "Increased paper costs are an opportunity not a threat for us, because they show that there is increased demand."

Capital expenditure of the group, which floated in December 1992, amounted to £6.3m, including the installation of two new web offset presses at the Bradford plant, which now has the same capacity as the Leeds plant.

A rights issue in May, which raised £9.4m, helped the group record a net cash position of £3.06m, against net borrowings of £3.7m and 54 per cent gearing last time.

On December 5 it acquired Harlequin Colourprint, the Bristol-based sheet-fed printer, for a maximum consideration of £4.4m. In the last financial year Harlequin made pre-tax profits of £258,000 and has made profits of more than £500,000 in the first nine months of this year.

Mr Sugden said that the group would be looking to make further acquisitions of sheet-fed printers in London and Scotland.

Earnings per share were up 11 per cent at 10.01p (9.05p).

The proposed final dividend is 2.68p making 4p (3.75p) for the year, a 6.7 per cent increase.

ED&F Man close to acquiring US financial services group

ED&F Man Group, the international trading and financial services company, yesterday confirmed that it was in "the final stages of negotiations" to buy Gelderman, a US financial services group, based in Chicago. An announcement is expected shortly.

A price of about £20m is thought to have been agreed with Gelderman's owner, the US food and agricultural giant, ConAgra. Gelderman has assets of $30m (£18m).

Contemplating a long engagement

Norma Cohen on the prospective Morgan Stanley/Warburg merger

In exhibiting the virtues of a Morgan Stanley/SG Warburg merger, executives at both investment banks point to their asset management arms.

The combined entity – should it ever be created – would have roughly $150bn (£91bn) under management, making it the eighth largest US fund manager and the single largest American manager of institutional money.

Moreover, the strengths of the two organisations complement each other; where MAM is strong, Morgan Stanley is non-existent, and the sectors where MAM has been weak are among Morgan Stanley's strongest selling points.

But melding two discrete fund management companies, each with their own approach to investment and loyal band of clients, is easier said than done. Indeed, it now appears that, at least initially, the two fund management arms will continue as separate businesses which benefit from their close relationship.

"In the early stages, we think it should be independent," said one Morgan Stanley official. "We will have to see how the co-ordination and the synergy work before putting the two together," he added.

For one thing, a full merger would require the permission of Morgan's institutional clients, who under US rules must agree to a change of ownership of their fund manager.

Meanwhile, at MAM, senior executives enjoy managerial autonomy which they would be reluctant to surrender. Moreover, MAM's largest clients, many of whom are also shareholders of MAM and Warburg, are anxious that the merger does not spark the flight of the most talented fund managers.

But analysts and pension consultants say that there are indeed synergies which would be created by a merger of the two fund management units.

Morgan Stanley, for instance, has only a handful of European clients, and most of its clients are based in the US. MAM, by contrast, manages relatively little money in the US, and much of that is mandates to manage non-dollar fixed-interest portfolios.

Its strength is concentrated in the UK, and about two thirds of the £62.7bn in total assets is managed for UK institutional clients.

Meanwhile, Morgan Stanley is a relative newcomer to the retail market, only in the past year launching a range of US mutual funds which now have about $500m under management. MAM, by contrast, has launched an aggressive campaign into the retail sector with an impressive array of unit and investment trusts both in the UK and overseas.

Moreover, in performance terms, Morgan Stanley's strengths are MAM's weaknesses, according to pension consultants who scrutinise fund managers' returns. While MAM has turned in above-average performance in UK equi ties, in general, its investment in overseas equities has been below average for each of the past five years, according to data from Combined Actuarial Performance Services.

"What MAM definitely needs is a credible overseas presence," said one pension consultant. For one thing, MAM "did not go thumping into emerging markets" – an area which Morgan Stanley's fund management arm has specialised in – and it has also had particular problems with stock selection in the US and Japan.

While MAM is said to be disputing its overseas performance data, saying it accounts differently for costs than other fund managers, its clients too have noticed some weaknesses.

"Overall, they haven't been too bad," said one client, noting that there had been particular problems with stock selection in some regions.

Meanwhile, Morgan has made little headway in attracting European business, particularly the key UK institutional fund management market.

It is obvious that the mechanics of a merger could leave key members of each firm's senior management – and its star fund managers – unhappy. Both Warburg and Morgan Stanley are surely likely to opt for two expanding fund management businesses, than a larger one in danger of imploding.

Top asset managers

Rank		Funds under management Dec 1993 ($bn)
1	Fidelity Management & Research	324.7
2	PNC Bank	192.5
3	Bankers Trust	164.2
4	Metropolitan Life	162.0
5	Merrill Lynch	159.8
6	Wells Fargo Nikko	154.7
7	State Street	132.5
8	Combined	130.4
9	Vanguard Group	127.9
10	Alliance Capital	118.3
18	Mercury Asset Management	83.2
42	Morgan Stanley Asset Management	47.2

Source: Morgan Stanley and SG Warburg

Waverley Mining raises £14.7m

By Michael Smith

Waverley Mining Finance yesterday announced a placing and offer to raise £14.7m net. Some £6.3m will be used to finance a proposed investment in Mining (Scotland), which is the government's "preferred bidder" to take over British Coal's Scottish interests.

The rest of the proceeds will be used to provide funds for further investments in "some or all" of the companies in WMF's portfolio and to make other investments.

Mr Willie McLucas, WMF's investment manager, said the injection of funds would more than double the asset base of the trust. He is to join the Mining (Scotland) board.

The value of WMF's proposed investment in Mining (Scotland) will represent about a quarter of its net assets following yesterday's placing and offer of 15.6m shares at 100p each. The open offer to shareholders is on a 7-for-10 basis.

WMF's £6.3m investment will give it 22 per cent of Mining (Scotland). Other investors include Mr Malcolm Edwards' Coal Investments and Northern National Resources.

Mining (Scotland) is paying £39.4m for the Scottish coal region with an additional £10m for stocks and stores. The bid is funded by a £28m equity subscription from investors and £30m debt provided by Clydesdale Bank and the Royal Bank of Scotland.

The placing and offer was underwritten by Williams de Broë and the parent of Noble & Company, which advises WMF.

Acquisitions behind 57% gain at Protean

By David Blackwell

A first full contribution from acquisitions made at the end of last year helped Protean, the laboratory equipment and water purification company, to lift interim profits by 57 per cent.

Pre-tax profits for the six months to end-September increased from £1.73m to £2.72m, while sales rose by 26 per cent to £23.8m (£18.9m). Excluding acquisitions, operating profits rose 19 per cent.

Mr Geoff Spink, managing director, said the group was very pleased with its achievement over the past five years, during which earnings had doubled.

Earnings per share in the first half rose from 4.21p to 5.52p, and the interim dividend is raised from 1.05p to 1.35p.

The water purification side made operating profits of £984,000 on sales of £10.4m, compared with a previous £726,000 on sales of £11.6m. The group completed fewer industrial contracts, but was making better returns.

Other scientific equipment and consumables lifted operating profits from £1.08m to £1.78m, with sales rising from £7.24m to £13.3m. The rise reflects the acquisition last December for £9m of Techne, which makes controlled temperature equipment, and LIP, a maker of medical and laboratory sample plastic bottles.

The group has continued on the acquisition trail, paying £4.15m at the end of the first half for Jenway, a bench-top monitoring and analysis equipment manufacturer based in Essex. It wrote off £4m of goodwill with the purchase, reducing shareholders' funds to £8.8m against £11.3m at the March year end.

Borrowings at end-September were £4.1m, giving gearing of 47 per cent. However, net interest paid was £48,000, down from £81,000.

Lex expands in Europe with FFr40m buy

By Kevin Done,
Motor Industry Correspondent

Lex Service, the motor retailer, is making its first foray into continental Europe with the acquisition of a large minority in PGA Motors, France's largest car dealer group.

It has paid FFr40m (£4.75m) cash for a 26.7 per cent holding and a convertible bond, which will increase its stake to 34 per cent on conversion.

Earlier this year PGA acquired the Diace dealer group. Following the rationalisation of the business, it is expected that it will be operating about 28 dealerships by the end of the year, selling more than 31,000 new and used cars a year with a turnover of more than FFr2.6bn.

It operates dealer groups mainly in the areas between Bordeaux, Nantes and Tours, and between Avignon, Toulouse and Perpignan and holds franchises for Volkswagen, Audi, Seat, Opel, BMW and Mercedes-Benz as well as Peugeot and Citroën.

PGA was founded in 1978 by Mr Pierre Guénant, the present chief executive, who remains the majority shareholder.

Sir Trevor Chinn, chairman of Lex Service, said yesterday that car retailing in France was now "undergoing the sort of change that occurred in the UK some years ago with the formation of large, professionally managed groups".

Continental European car markets, including France and Germany, are much more fragmented than the UK. Most dealerships are privately-owned and large public groups, such as Lex, are virtually unknown.

Recovery continues as City Site turns in £2m

City Site Estates, the property investment and development group, announced sharply increased profits for the year to September 30 as it built upon the recovery shown in the previous 12 months.

Mr William Syson, chairman, said distributable reserves were £1.74m, enabling the repayment of arrears of £2.82m on preference dividends, during the current year.

Net asset value rose from 22p to 55p per share by the period end. This has since risen to 60p pending the assignation of seven leased properties from Shoprite to Kwik Save.

"I am confident that with the quality of the portfolio and positive cash flow we can look forward to a sustained period of growth and an early return to the payment of ordinary dividends," Mr Syson said.

Pre-tax profits amounted to £2.07m, against a restated £318,000. The company sold properties during the year for a total of £9.75m, in excess of book value. Property acquisitions amounted to more than £20m, giving additional income of £2.13m a year at an initial yield of 10.6 per cent.

Earnings per share were 4.29p (losses of 6.81p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albrighton §	int	0.1†	Feb 9	0.1	-	0.5
Allders	fin	4.5	Feb 23	-	6.7	-
API	fin	5.38	Feb 13	4.9	9.08	8.25
Clayhithe	int	0.8	Feb 7	0.75	-	2.625
Eastern Group	int	8.25	Mar 21	6.6	-	23
EDP	fin	1.333	Apr 6	1.166*	2	1.833*
Hamlet	int	2.1	Feb 28	-	-	4
Hardys & Hansons	fin	6	Mar 6	5.5	9.4	8.5
Heath (Samuel)	int	1.5	Apr 6	1.5	-	6
Hunters Armley	fin	2.68†	Feb 24	2.5	4	3.75
Johnson Firth	fin	nil	-	0.35	nil	1.35
MS Intl	int	nil	-	1	-	2.5
Northern Elect	int	9.6	Feb 2	7.4	-	24.85
Protean	int	1.35	Feb 15	1.05	-	4.75
Richards	fin	0.93	Mar 6	1.93	2	3
Trio	fin	0.1	Mar 2	1.5	0.1	2.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue.

COMMODITIES AND AGRICULTURE

Analysts say West can do without Russian nickel

By Kenneth Gooding, Mining Correspondent

Nickel production is rising so fast that new output from western producers will more that compensate for any fall in Russian exports, according to some analysts who have been looking into the recent very sharp rise in nickel prices.

Much of the price rise has been accompanied by rumours about production problems at Norilsk in Russia, the world's biggest supplier.

"Traders who have pounced on every bullish rumour have been rewarded with ever-higher prices and bigger commissions just before the Christmas holiday," one analyst pointed out.

Mr Nick Moore, analyst at Ord Minnett, said that, even if problems at Norilsk had cost output of 30,000 tonnes, this equated to only two weeks consumption at the present rate. Two weeks off current stocks would still leave them equivalent to 13 weeks of consumption and six week above "normal" levels.

He said that during the winter months shipments from Norilsk were reduced to a trickle so there would be no impact from the shortfall for some months. In any case, the Siberian port of Dudinka and, it was thought, Rotterdam in the Netherlands, had substantial stocks of nickel that could be delivered to London Metal Exchange warehouses. Also, western nickel producers were very rapidly raising output – Mr Moore estimated production would increase next year by 70,000 tonnes.

Mr Angus MacMillan, research manager at Billiton Metals, is forecasting a 65,000 tonnes rise – or 11 per cent – in western nickel production to 655,000 tonnes in 1995 followed by a further slight increase to 665,000 tonnes in 1996.

Nickel consumption is also forecast by Billiton to grow strongly because of increasing demand from the stainless steel industry, the main user of nickel. But, says Mr MacMillan, "the most extreme case imaginable – of zero Norilsk shipments next year – would still leave us with stocks at 16 weeks of consumption by the end of 1995 if our demand forecast is near the mark."

Billiton is forecasting that net imports of nickel to the west will slide from 135,000 tonnes this year to 120,000 tonnes in 1995 and to 115,000 tonnes in 1996. Nevertheless, this would still leave total western world supply up from 730,000 tonnes this year to 780,000 tonnes in 1995 and 785,000 tonnes in 1996. If these forecasts prove correct, there would be a nickel surplus of 10,000 tonnes this year, of 20,000 tonnes in 1995 and no supply deficit until 1996, when there would be one of 15,000 tonnes.

RSPB attacks industrial fishing

By Alison Maitland

Industrial fishing in the North Sea is endangering the marine food chain and should be phased out, the Royal Society for the Protection of Birds said yesterday.

The RSPB, backed by a majority of UK fishermen, is campaigning for controls on the upsurge in industrial fishing in the run-up to tomorrow's fisheries debate in the House of Commons and next week's meeting of the European Union's council of fisheries ministers.

Industrial fishing fleets catch small shoaling fish such as sandeels, capelin and sprats, which are usually eaten by larger fish, seabirds and dolphins. The small species are turned into fertiliser or feed for livestock and farmed fish.

This type of fishing, carried out mainly by Denmark, now accounts for about 50 per cent of the total catch from the North Sea by weight, says the RSPB. Landings of sandeels, which are not subject to quotas, have doubled over the past 20 years to 800,000 tonnes a year and represent half the industrial fishing catch in Europe.

The UK charity is calling for quotas for sandeels and for a ban on all industrial fishing in areas where fish are spawning or where there are important colonies of seabirds or other wildlife.

It also wants the UK to stop granting licences for industrial fishing and says the European industrial fishing fleet should be phased out by decommissioning vessels.

Fishery scientists have calculated that yields of commercially valuable fish such as cod and haddock on the Dogger Bank, an important North Sea fishery, would increase by 10-20 per cent if the Danes stopped catching sandeels there.

Mr Euan Dunn, RSPB marine policy officer, said: "Fish stock enhancement is a compelling argument for the government to press for controls on industrial fishing, especially at a time when it is investing heavily in other measures like decommissioning to reduce fishermen's impact on roundfish stocks."

One model for regulation is a government plan for restrictive quotas when the sandeel fishery off the Shetland Islands is reopened next summer, he said.

The fishery was closed in 1990 after a sharp fall in stocks, which had a crippling impact on breeding of arctic terns, kittiwakes and puffins. The Scottish Office is proposing a quota of 3,000 tonnes, based on the two lowest annual catches of sandeels in the area before its closure.

English bees in quarantine as disease spreads

By Alison Maitland

Honey bees are to be kept in quarantine across most of England in an effort to control the spread of a disease that can wipe out whole colonies, the UK government announced yesterday.

Varroa, a parasitic mite that weakens bees, first arrived in England in the spring of 1992. In November that year, the government introduced controls on the movement of bees in the greater London area and 22 mainly southern counties.

The disease was subsequently found in six more counties, prompting an intensive search for the mite across the whole country by scientists from the Ministry of Agriculture's National Bee Unit in Warwickshire.

Their minute investigations of over 5,000 bee colonies uncovered varroa in 75 apiaries in a further eight counties. That took the total of affected metropolitan and shire counties in England to 36 out of 45.

From January 1 next year, beekeepers in the 14 more recently affected counties will be subject to the 1992 restrictions.

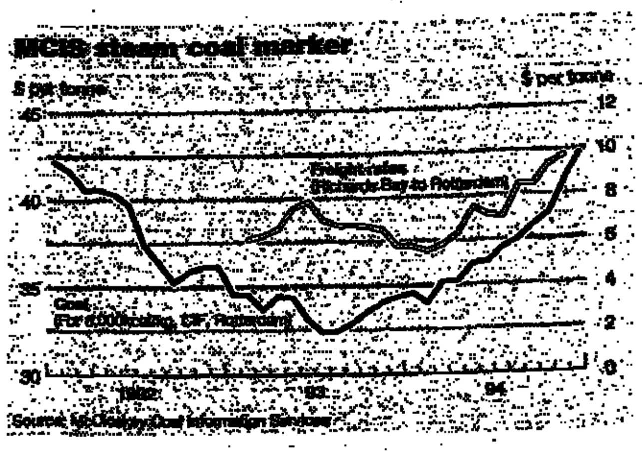
They will only be able to move their charges, and any hive frames containing honeycomb, into or out of the infected areas if they have licences.

Movement of bees and frames within the infected zones will remain unrestricted.

Despite the spread of the disease, Mr Michael Jack, junior agriculture minister, expressed confidence yesterday that the country's beekeepers were learning to control varroasis with pesticides and that "we shall retain a healthy bee population in the UK".

Coal buyers face a sellers' market

By Gerard McCloskey



Source: McCloskey Coal Information Services

Japanese steel mills may reach agreement with their Australian and Canadian suppliers this week. Price rises are inevitable but the risk faced by the mills is that if no settlement is arrived at over the next few days, the rises could be large.

Already one producer – Coal and Allied of New South Wales – has tabled a demand for an increase of $6.90 a tonne. This seemed to the steel producers more than a touch ambitious but in the ensuing weeks it has become clear that 1995 is going to see price rises across the whole spectrum of coal qualities.

All prices set to date for next year relate to steam coal – and almost all for buyers in Europe. In contrast to previous years, when early settlements set something close to a benchmark for all European buyers, 1995 prices have steadily risen since the first agreement in October, between the Belgian power company Electrabel and South African producers at around $30.50 a tonne, fob Richards Bay. Subsequent South African sales have been struck at around $32 into Portugal and – for one customer suddenly facing a shortfall – at around $37.00 to a German utility for a high calorific value coal.

While no one expects contract prices to reach the heady levels seen on the spot market, the rising trend was reinforced with some very large purchases by Enel, the Italian power company, at $32.60, fob.

Two big power groups have yet to settle their South African business – Dutch buyer GKE and Danish power producers Elsam and SK Power. The South Africans are thought to expect very high levels from these customers, higher even than the Enel price, not least to balance some of the very low prices that these companies achieved for their 1994 deliveries. One South African producer has already won a $10 price rise from the Danes, although this came from a very low level, in the low $20s, for this year's business.

The view that prices will rise throughout the period of settlement is backed by the strength of the spot market with the McCloskey Coal Information Services North-west Europe marker price having risen $1.49 to $42.22 between November and December. This rise is second highest ever recorded in the index – the highest, of $1.84, was in the preceding month.

The rise in the MCIS index reflects not only higher fob prices but also a very strong ocean freight market. Some buyers, like National Power, saw the threat of this rise back in the early summer and booked their shipping tonnage according. Those who have waited or have still to settle, will pay dear.

For the Australia coal producers, and the Australians are the most powerful selling group in the Japanese coking coal negotiations, very few settlements have been made with European power companies. Partly this reflects their very robust price rise demands of $8 – at which one piece of business has already been struck.

Their efforts to sustain a rising market will receive vigorous support from the Colombian producer Carbocol, which has yet to settle any of its 1995 business. Its expectations match those of Australia, as does its belief that producers should not be in any hurry; the biggest prizes are expected to fall to those who wait.

No doubt these rises, which could well be sustained into 1996 and beyond, will encourage those who have backed the RJB Mining bid for the English coal mines. The RJB assumption for international prices is of $39, cif, a tonne in 1998. But while today's international prices will close the gap with UK costs, it is one of the oddities of the UK coal market that its highest value product of house coal is in glut. This is partly a result of the mild northern winter, but also reflects increased competition from imports and from RJB's major UK competitor, Coal Investments.

Norwegian government approves £1.75bn upgrade plan for ageing Ekofisk oil field

By Karen Fossli in Oslo

The Norwegian government yesterday announced approval of Phillips Petroleum's NKr19bn (£1.75bn) upgrade plans for the ageing Ekofisk field in the North Sea, ending two years of uncertainty over its future.

The field is the hub of the world's largest oil transportation system. In 1992 the Norwegian Petroleum Directorate, the oil industry watchdog, threatened to close the 250,000-barrels a day field by 1996 for safety reasons.

The industry and energy ministry said the upgrade would comprise the construction of two steel well-head platforms to house drilling and production facilities. The development is also expected to reduce carbon dioxide emissions from the field by an estimated 1m tonnes.

The government estimates the sales value of the crude oil to be produced from the field between 1999 and 2028 at NKr130bn, based on a price of $15 a barrel.

The ministry confirmed plans by the state to take a direct 5 per cent stake in the field separate from that of Statoil, the Norwegian state oil company, which has a 1 per cent shareholding.

The state also decided to increase its shareholdings in the Norpipe oil and gas pipelines to 70 per cent from 50 per cent from respectively the years 2005 and 2007. This would mean a reduction to 30 per cent of private shareholders respective stakes in the pipelines.

The oil pipeline runs from Ekofisk to Teesside in England while the gas pipeline runs to Emden in Germany.

The ministry also confirmed that it would waive a 16 per cent production tariff for the new facilities during the 1999-2028 period. Earlier the ministry said the extension of the licence combined with the production tariff waiver would mean cost savings of NKr900m.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1820-1	1849-50
Previous	1849-50	1877-8
High/low	1829	1863/1839
AM Official	1828-9	1858-9
Kerb close		1839-40
Open int.	255,429	
Total daily turnover	43,904	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1800-5	1835-40
Previous	1820-5	1855-65
High/low		1840
AM Official	1800-5	1835-40
Kerb close		1830-40
Open int.	2,846	
Total daily turnover	585	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	630-1	648-9
Previous	637.5-8.5	654-5
High/low	633	653/645
AM Official	633.5-4.5	650.5-1
Kerb close		647-8
Open int.	43,651	
Total daily turnover	4,702	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8475-85	8620-30
Previous	8725-35	8860-70
High/low	8627/8625	8875/8425
AM Official	8627-30	8784-5
Kerb close		8420-30
Open int.	66,540	
Total daily turnover	10,298	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5950-70	6050-70
Previous	5980-90	6070-5
High/low		6100/6050
AM Official	5955-65	6050-2
Kerb close		6000-10
Open int.	23,097	
Total daily turnover	5,728	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1110-1	1138-9
Previous	1124.5-5.5	1152-3
High/low		1153/1129
AM Official	1118-9	1146.5-7
Kerb close		1129-30
Open int.	107,369	
Total daily turnover	17,040	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2973-4	2923-5
Previous	2997-8	2937-8
High/low		2934/2915
AM Official	2976-8	2926-7
Kerb close		2920-1
Open int.	245,980	
Total daily turnover	44,848	

■ LME AM Official £/$ rate: 1.5615
LME Closing £/$ rate: 1.5629

Spot:1.5640 3 mths:1.5639 6 mths:1.5639 9 mths:1.5637

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Dec	134.80	-0.35	135.85	134.25	5,492	1,179
Jan	134.60	+0.20	134.80	134.20	1,739	245
Feb	134.05	-0.15	133.90	132.50	809	18
Mar	133.05	+0.25	133.90	131.80	27,502	6,198
Apr	130.85	+0.50	130.50	130.30	688	19
May	127.95	+0.75	128.40	127.20	3,582	653
Total					48,612	8,398

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	377.60-378.00	
Opening	376.70-377.10	
Morning fix	378.85	241.555
Afternoon fix	377.15	241.252
Day's High	377.60-378.00	
Day's Low	376.50-376.90	
Previous close	377.40-377.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.84	6 months	5.73
2 months	5.00	12 months	6.39
3 months	5.22		

Silver Fix	p/troy oz.	US cts equiv.
Spot	302.75	472.75
3 months	306.95	479.30
6 months	311.70	486.60
1 year	323.55	504.85

Gold Coins	$ price	£ equiv.
Krugerrand	378-381	243-246
Maple Leaf	387.85-390.30	-
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	377.5	+0.5	377.8	376.5	479	381
Jan	378.5	+0.5	-	-	1	-
Feb	380.3	+0.4	380.5	378.5	93,860	17,420
Apr	384.3	+0.4	384.6	383.5	13,470	2,134
Jun	388.6	+0.4	388.6	387.6	21,352	730
Aug	393.2	+0.4	-	-	12,222	6
Total					160,912	20,657

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	409.7	+3.4	411.9	406.5	14,582	2,478
Apr	414.1	+3.5	416.0	411.0	11,678	556
Jul	418.4	+3.5	420.0	419.5	1,967	6
Oct	422.9	+3.5	-	-	818	-
Jan	425.9	+3.5	-	-	14	-
Total					29,069	3,041

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	154.00	+1.30	154.00	154.00	68	20
Mar	156.25	+1.05	156.50	155.25	5,738	250
Jun	157.50	+1.05	-	-	779	17
Sep	158.75	+1.05	-	-	108	-
Dec	158.75	+1.05	-	-	10	-
Total					6,703	287

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	476.4	+7.3	476.0	472.0	162	56
Jan	477.0	+7.0	-	-	81	6
Feb	479.7	+7.0	477.0	477.0	202	2
Mar	482.7	+7.0	484.0	475.5	78,559	11,695
May	488.7	+7.2	490.0	481.5	8,239	251
Jul	494.9	+7.3	497.0	490.0	7,986	23
Total					135,385	12,013

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	17.22	+0.09	17.26	16.95	68,940	47,458
Feb	17.27	+0.10	17.32	17.02	83,033	27,175
Mar	17.30	+0.09	17.31	17.11	50,016	8,775
Apr	17.35	+0.06	17.35	17.17	19,546	4,412
May	17.38	+0.02	17.38	17.25	14,003	711
Jun	17.38	-0.01	17.38	17.35	28,688	1,765
Total					410,828	94,887

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	16.29	+0.03	16.35	16.08	69,530	22,037
Feb	16.20	+0.07	16.26	16.00	83,669	13,182
Mar	16.13	+0.08	16.17	15.93	18,398	3,774
Apr	16.08	+0.03	16.15	15.96	9,408	2,350
May	16.06	+0.01	16.11	15.95	7,022	679
Jun	16.00	-0.05	16.00	16.00	4,193	353
Total					187,586	42,721

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	50.00	+0.73	50.25	49.00	40,877	26,080
Feb	50.10	+0.59	50.30	49.30	39,812	15,164
Mar	49.90	+0.57	49.95	49.20	19,882	7,178
Apr	49.10	+0.42	49.15	48.70	13,181	2,085
May	48.40	+0.22	48.40	48.15	7,901	439
Jun	48.15	+0.22	48.15	48.15	6,494	353
Total					161,546	51,948

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	142.25	-1.75	143.50	141.25	18,116	3,220
Feb	144.75	-2.00	146.25	144.00	39,422	3,107
Mar	147.00	-2.00	147.50	146.25	21,127	987
Apr	147.50	-0.75	148.25	146.75	11,728	593
May	148.00	-1.00	147.75	147.50	4,049	195
Jun	148.50	-0.75	148.50	147.75	1,480	341
Total					105,164	28,331

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	1.920	+0.078	1.940	1.890	28,274	13,148
Feb	1.915	+0.048	1.960	1.910	18,752	6,500
Mar	1.870	+0.040	1.920	1.860	16,828	2,682
Apr	1.780	+0.021	1.855	1.780	9,143	680
May	1.790	+0.021	1.830	1.785	8,212	1,695
Jun	1.810	+0.031	1.820	1.790	7,880	1,458
Total					141,862	32,788

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	53.65	+0.98	53.95	52.35	23,109	17,670
Feb	53.00	+0.48	53.25	52.30	16,533	8,066
Mar	53.50	+0.55	53.50	52.65	8,358	1,707
Apr	56.45	+0.10	56.45	56.20	9,822	1,894
May	55.45	-	-	-	4,562	277
Jun	55.35	-	-	-	1,434	161
Total					67,822	29,574

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.70	+0.20	108.70	106.50	1,351	167
Mar	107.75	+0.20	-	-	1,781	-
May	109.60	+0.20	109.45	109.45	1,743	4
Jul	111.25	-	-	-	277	-
Sep	98.50	-	-	-	77	-
Nov	97.35	+0.15	97.20	97.20	910	3
Total					8,213	189

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	379/4	+0/2	380/0	377/2	1,110	1,286
Mar	394/2	+0/2	395/0	391/0	43,191	7,755
May	377/0	-0/2	377/6	375/6	6,989	871
Jul	347/0	-1/0	347/6	345/0	14,084	1,470
Sep	352/0	-0/4	352/0	351/6	708	24
Dec	363/4	-1/4	363/4	362/4	251	20
Total					66,325	11,226

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	219/6	+1/0	220/0	219/0	4,300	1,585
Mar	231/4	+1/0	232/0	230/4	113,746	26,637
May	238/6	+0/6	239/0	237/6	43,030	3,115
Jul	243/2	+0/4	243/6	242/2	47,158	3,580
Sep	246/4	+0/2	246/4	246/0	5,051	228
Dec	249/6	-	250/0	249/2	27,405	2,084
Total					244,222	37,676

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	104.15	+0.50	104.00	103.65	407	2
Mar	106.25	+0.25	-	-	193	-
May	108.50	+0.85	-	-	42	-
Sep	95.75	-	-	-	30	-
Nov	96.50	-	-	-	67	-
Jan	98.00	-	-	-	-	-
Total					789	2

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	564/4	+0/2	565/0	561/6	45,447	13,253
Mar	574/4	+1/0	574/6	571/4	33,597	2,705
May	583/2	+2/2	583/4	579/0	17,412	1,283
Jul	588/2	+2/2	588/4	584/0	25,912	1,253
Aug	591/0	+1/4	591/0	587/4	2,248	189
Sep	590/4	+2/0	592/0	589/0	1,269	22
Total					138,386	19,690

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	26.44	-0.11	26.50	26.22	8,722	1,482
Jan	27.20	-0.11	27.25	26.87	33,318	5,866
Mar	26.40	-0.07	26.42	26.05	28,393	4,081
May	25.72	-	25.75	25.40	18,450	1,463
Jul	25.22	+0.02	25.28	25.00	11,089	2,081
Aug	24.90	+0.05	25.00	24.72	2,231	84
Total					115,329	15,782

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	159.3	+0.2	159.5	158.6	4,199	4,466
Jan	160.7	+0.2	161.1	159.9	30,812	11,191
Mar	164.4	+0.4	164.6	163.4	28,627	3,963
May	167.9	+0.1	168.2	167.2	14,153	1,244
Jul	172.2	+0.3	172.4	171.4	12,535	863
Aug	174.2	+0.3	174.2	173.6	3,146	114
Total					103,849	22,139

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	250.0	-	-	-	-	-
Apr	272.3	-9.0	279.0	272.5	1,319	82
May	287.5	-12.5	-	-	2	-
Jun	250.0	-	-	-	-	-
Total					1,321	82

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	2033	-19	2045	2025	323	34
Jan	1985	-30	2000	1965	966	113
Feb	1913	-32	1950	1930	175	22
Apr	1823	-22	1850	1823	1,521	48
Jul	1593	-15	1610	1590	249	10
Oct	1685	-10	1690	1690	107	5
Total					3,341	232

	Close	Prev
BFI	2036	2027

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	950	-28	972	949	4,447	210
Mar	926	-19	943	925	45,590	2,338
May	931	-17	948	927	18,177	1,182
Jul	941	-16	954	937	7,529	202
Sep	952	-15	966	950	13,436	230
Dec	967	-15	977	966	11,593	476
Total					110,843	4,916

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1233	-19	1240	1240	94	93
Mar	1231	-12	1245	1225	40,111	5,456
May	1244	-10	1257	1240	11,869	1,604
Jul	1259	-8	1272	1257	4,683	765
Sep	1285	-8	1285	1279	1,898	144
Dec	1311	-9	1310	1310	4,841	36
Total					76,533	8,251

■ COCOA (ICCO) (SDR's/tonne)

Dec. 9	Price	Prev. day
Daily	947.84	950.69

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	2820	-10	2825	2789	8,343	673
Mar	2796	-5	2800	2760	9,863	1,081
May	2781	-7	2780	2725	5,001	372
Jul	2746	-31	2735	2722	1,931	12
Sep	2735	-29	2735	2735	2,861	10
Nov	2720	-28	-	-	416	-
Total					28,116	2,148

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	163.75	+3.45	162.00	161.00	110	29
Mar	165.80	+3.05	168.75	161.00	17,126	3,210
May	167.90	+3.05	169.00	163.40	6,665	367
Jul	169.50	+2.80	169.75	165.25	2,691	263
Sep	170.80	+2.70	171.40	168.50	1,962	249
Dec	170.85	+2.45	172.00	172.00	1,495	19
Total					30,313	4,137

■ COFFEE (ICO) (US cents/pound)

Dec. 9	Price	Prev. day
Comp. daily	149.92	151.82
15 day average	154.78	156.16

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	14.63	+0.13	-	-	370	-
May	14.78	+0.15	-	-	860	-
Jul	14.85	+0.02	-	-	300	-
Total					1,536	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	398.40	+0.30	400.00	396.00	13,303	359
May	392.90	+0.50	392.60	392.00	5,374	46
Aug	382.40	-	382.50	382.00	4,431	6
Oct	353.70	-0.40	354.00	353.80	1,685	64
Dec	348.40	-0.70	-	-	128	-
Mar	348.40	-0.70	-	-	219	-
Total					25,190	475

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.41	+0.08	14.44	14.35	96,113	15,616
May	14.48	+0.06	14.50	14.41	37,653	3,754
Jul	14.20	+0.05	14.22	14.14	23,215	1,232
Oct	13.36	+0.04	13.37	13.34	24,055	1,308
Mar	12.77	+0.02	12.77	12.74	8,183	346
May	12.53	+0.02	12.61	12.55	1,682	89
Total					196,269	22,366

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	82.61	-0.89	83.59	82.75	32,253	4,709
May	83.05	-0.78	83.70	83.00	10,770	1,765
Jul	82.78	-0.52	83.20	82.62	6,120	1,075
Oct	74.80	+0.10	74.90	74.85	1,104	94
Dec	72.18	-0.02	72.32	71.96	5,886	905
Mar	72.90	+0.04	-	-	79	7
Total					58,257	8,557

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	108.50	-1.70	110.25	107.60	10,841	653
Mar	112.25	-1.40	113.60	111.30	7,955	580
May	115.50	-1.10	114.75	114.75	1,566	84
Jul	118.75	-0.85	-	-	913	181
Sep	120.00	-	-	-	2,153	10
Nov	121.00	-	-	-	1,560	-
Total					25,539	1,468

Tea

The good general demand was sustained, reports the Tea Brokers' Association. Coloury Assams met strong competition and prices ruled fully firm to often dearer. Plainer North Indians also sold well at generally higher levels. The few brightest East Africans on offer tended 2 to 5 pence easier although pd's were a good feature and prices advanced. Coloury mediums remained unchanged but lesser mediums lost 2 to 4 pence. Ceylons were about steady. Offshore: fairly good demand at around last levels. Quotations: best available 160p/kg, good 135p/kg, good medium 128p/kg, medium 108p/kg, low medium 80p/kg. The highest price realised this week was 161p/kg for a Kenya pd.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 12	Dec 9	month ago	year ago
2178.3	2165.6	2133.1	1869.3

■ CRB Futures (Base: 1967=100)

Dec 9	Dec 8	month ago	year ago
230.02	229.90	233.26	224.60

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	69.475	-0.225	69.775	69.425	7,093	3,589
Feb	69.525	-0.100	69.900	69.425	28,716	11,146
Apr	70.125	+0.175	70.375	69.900	19,742	3,057
Jun	65.075	+0.150	65.250	64.875	6,359	788
Aug	63.100	+0.125	63.350	62.975	2,878	258
Oct	63.750	+0.100	63.900	63.600	1,378	43
Total					66,355	18,969

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	33.625	+0.050	33.900	33.000	2,795	2,314
Feb	36.950	+0.625	37.200	36.300	15,357	5,423
Apr	37.200	+0.425	37.550	36.950	7,960	1,860
Jun	42.725	+0.400	42.950	42.300	4,589	779
Aug	42.500	+0.350	42.600	42.300	1,171	112
Oct	40.750	+0.250	41.000	40.550	1,035	226
Total					34,068	10,902

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	36.675	+0.175	37.300	36.350	7,887	2,226
Mar	37.025	+0.175	37.650	36.850	1,457	439
May	38.275	+0.350	38.700	38.150	510	67
Jul	38.350	+0.125	39.600	39.200	432	86
Aug	38.475	+0.450	38.800	38.300	210	3
Feb	48.650	+0.450	48.850	48.500	9	1
Total					10,588	2,821

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1800	101	156	69	115
1850	77	132	94	141
1900	57	112	124	169
■ COPPER (Grade A) LME	Feb	May	Feb	May
2850	133	129	145	137
2900	113	109	200	163
2950	96	91	231	223
■ COFFEE LCE	Jan	Mar	Jan	Mar
3000	23	117	203	319
3050	16	105	246	357
3100	11	93	291	395
■ COCOA LCE	Mar	May	Mar	May
900	53	58	-	30
925	28	44	-	41
950	6	34	3	56
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	32	83	4	72
1650	4	60	29	99
1700	3	45	75	134

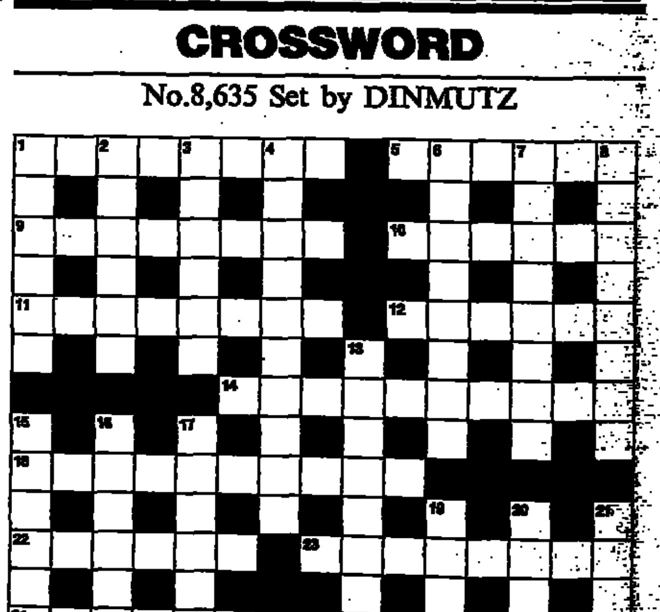
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)		+or-
Dubai	$15.49-5.51z	-0.19
Brent Blend (dated)	$16.99-6.01	-0.085
Brent Blend (Jan)	$16.27-6.29	+0.015
W.T.I. (1pm est)	$17.22-7.24z	+0.15
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$166-168	-3.0
Gas Oil	$140-142	-0.5
Heavy Fuel Oil	$94-96	+1.0
Naphtha	$170-174	-1.0
Jet fuel	$161-163	
Diesel	$147-148	
Petroleum Argus. Tel. London (071) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$377.80	+0.20
Silver (per troy oz)♣	475.5c	+6.5
Platinum (per troy oz.)	$407.75	+4.00
Palladium (per troy oz.)	$153.50	+1.50
Copper (US prod.)	140.0c	-1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	16.13r	-0.12
Tin (New York)	277.5c	-2.0
Cattle (live weight)†	121.67p	+2.12*
Sheep (live weight)†♠	120.99p	+3.45*
Pigs (live weight)	81.04p	+8.61*
Lon. day sugar (raw)	$345.50	-4.00
Lon. day sugar (wte)	$403.00	-1.00
Tate & Lyle export	£338.00	-3.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Jan)♥	100.50p	
Rubber (Feb)♥	100.00p	
Rubber (KL RSS No1 Jul)	370.5m	+0.5
Coconut Oil (Phil)§	$702.5y	+2.5
Palm Oil (Malay.)§	$737.5z	
Copra (Phil)§	$454.0q	
Soyabeans (US)	£171.0z	+2.0
Cotton Outlook'A' index	86.80c	+0.35
Wooltops (64s Super)	462p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day.

CROSSWORD

No.8,635 Set by DINMUTZ



ACROSS

1 Mind out! army surrounds those who trail (8)
5 Tours of duty for heralds (6).
9 Relative turning out the guard (8)
10 Scottish novelist, milling corn at home . . . . (6)
11 . . . . produces twigs (8)
12 By which means dwarfs in plot are contained? (6)
14 Classic western theatre instructor (10)
18 Craft in which the police controlled river? (10)
22 Inhabitant of North America in tepee (6)
23 Macbeth's was vaulting in goal (8)
24 In a minute? (6)
25 The old days ended this violent thrashing (8)
26 Condensation in study (6)
27 Calumniated in Jaspers' edited works (8)

DOWN

1 Ivy and he would sit on cycle (8)
2 See a nut go, chopped, in it? (6)
3 Yarn provides second musical (6)
4 Received idea of poetry set, perhaps, by Head of English (10)
6 By strength, inevitably (8)
7 Sports official up the pole? (8)
8 Once a week? (8)
13 These compacts are bargains! (10)
15 Roughly handles toddler's first pony (8)
16 Head of girls' college taking a gander? (8)
17 A tin shut incorrectly is a bloomer (8)
19 No tricks attaching to this declaration at table? (6)
20 Riddles of screens, say (6)
21 Caught in Arden's tangle (6)

Solution to Saturday's prize puzzle on Saturday December 24.
Solution to yesterday's prize puzzle on Wednesday December 28.

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie drops to lowest level for five months

By Steve Thompson

The UK equity market fell to its lowest levels since July as both the FT-SE future and the FT-SE 100 index continued to drop below crucial support levels. Dealers said London had fallen away for various reasons – domestic, international, political and economic.

And there was no support for equity markets from international bonds which gave ground across the globe amid continued inflationary fears.

The FT-SE 100 index ended the session a net 33.9 off at 2,943.4. Over the past two sessions the index has now fallen 70.4, or 2.3 per cent. The market's weakness extended to the second liners; the FT-SE Mid-Cap 250 index dropped 23.4 more to 3,372.4, for a two-day retreat of 55.5.

A sudden and sharp sell-off in the FT-SE future in mid-morning helped to depress equities.

Dealers ascribed the slide in the UK market to unease about Wall Street, which has been beset with worries about inflation and the possibility of another rise in US interest rates in the short term. The Orange County bankruptcy, and the threat of big forced selling of bonds, has increased pressure on US markets.

Such was the gloom in London that even a positive opening performance by the Dow Jones Average, which moved up about eight points shortly after the opening and was still marginally higher two hours after London closed, failed to produce any worthwhile response from the UK market.

There was little or no pressure on the market at the outset of trading when the 100-index opened about a point higher and gradually pushed up to the day's high of 2,987.5, up 10.5, helped by Wall Street's surprisingly steady performance last Friday.

At that stage, however, a big seller of the FT-SE future, believed to have been a big US investment bank, found little resistance and both the future and the cash market began to tumble, helped on the way down by a couple of small to medium-sized sell programmes.

Shortly after midday the 100 index moved down and never recovered, sliding to a low of 2,941.9 and closing below what was previously perceived as a strong resistance point of 2,955.

Some marketmakers saw the failure of the market to finish above 2,955 as finally putting paid to any chances of a year-end rally. "It's turn the lights out and come back in 1995 as far as I'm concerned," said one. Another said the market felt "unhappy, but not disastrous", and spoke of selective buying interest on the way down. The head of trading at one of the big integrated UK houses said it was difficult to be positive about a market which had crashed through two very important chart levels.

The first of a series of crucial economic numbers to be released this week, input and output producer prices, failed to cause any big shift in sentiment. This morning brings the monthly Confederation of British Industry survey of Distributive Trades.

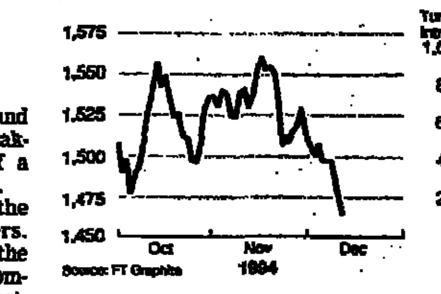
Retailing provided one of the few strong sectoral performances with the top quality retailers, Marks and Spencer, GUS and Kingfisher making sound progress in spite of a generally bearish weekend press.

There was more buying of the merchant banks/stockbrokers. Northern Electricity took over the lead in the regional electricity companies' interim dividend race, posting a scintillating 30 per cent rise in its payment.

Composite insurers were roughly treated following the heavy flooding in Scotland, while housebuilders were affected by the recent interest rate rise and forecasts of further rises next year.

Programme trades helped swell turnover in equities to 602.5m shares, with non-FT-SE stocks accounting for 54 per cent of the total. Customer business last Friday was £1.13bn.

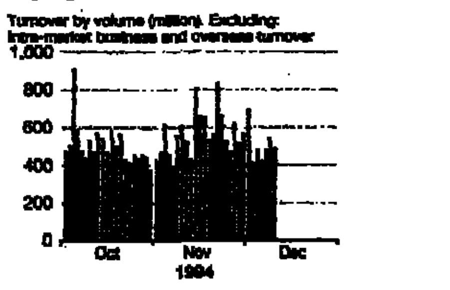
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	2943.4	-33.9	FT Ordinary Index	2265.7	-27.6
FT-SE Mid 250	3372.4	-23.4	FT-SE-A Non Fins p/e	17.57	(17.78)
FT-SE-A 350	1477.0	-15.5	FT-SE 100 Fut Dec	2934.0	-33.0
FT-SE-A All-Share	1465.19	-14.67	10 yr Gilt yield	8.59	(8.53)
FT-SE-A All-Share yield	4.18	(4.14)	Long gilt/equity yld ratio:	2.07	(2.07)

Best performing sectors

1 Merchant Banks ... +0.9
2 Retailers, General ... -0.0
3 Other Financial ... -0.2
4 Health Care ... -0.2
5 Oil, Integrated ... -0.3

Worst performing sectors

1 Water ... -2.3
2 Property ... -2.1
3 Life Assurance ... -2.1
4 Electronic & Elect Eq ... -2.0
5 Insurance ... -1.9

Stores sector rallies

Leading retail stocks were the market's best performers as they brushed aside negative weekend press comment and recent gloom over Christmas trading to move firmly ahead.

One market watcher said the sector "may have been oversold in recent sessions" while another observer said simply, "I doubt things in the high Street are that bad." Several stocks also benefited from programme trading and volume was lifted by agency crosses.

Dealers also took comfort from favourable full-year figures from stores group Allders, and its positive comments on current trading, helping the shares add 5 to 204p.

Among the leaders, Kingfisher, weakened by recent profit downgradings, was one of the day's strongest traders. The shares gained 4 to 420p. Marks & Spencer also benefited from pre-Christmas bargain hunting, edging forward a half to close at 369½p. Hopes of another special dividend from Great Universal Stores helped the shares put 2 to 424½p.

BTR/Hanson switch

Diversified industrials BTR and Hanson comfortably headed the Footsie activity charts with volumes boosted by a certain amount of switching out of Hanson. Turnover in the two stocks totalled a combined 26m shares.

BTR saw 15m shares change hands, including a 1m deal at 279½p. The shares closed marginally lower on the day at 278½p while Hanson shed 5½ at 228p in 11m turnover. Dealers said BTR was subject to something of a two-way pull with the shares gaining from the Hanson switching but meeting with some equally determined sellers.

BTR, which has underperformed the market by almost 10 per cent over the past three months, hosted City lunches last week in what was seen as an attempt to repair damage to information flows between the company and analysts.

Focus on MAM

Expectation of a tussle for S.G. Warburg sharpened the focus on the merchant banking sector as investors latched on to any nuance coming out of the proposed link with Morgan Stanley of the US.

Yesterday, interest was concentrated on Mercury Asset Management (MAM) the fund management company 75 per cent owned by Warburg. Speculation that MAM's minority shareholders would demand a preferential price for their stake to reflect the contribution MAM makes to the group's overall capitalisation saw the fund mangement arm's shares leap 39 to 750p.

Meanwhile Warburg gained 10 to 798p as most investors refused to believe that an agreed bid would go ahead at current levels – particularly when the shares hit £10 apiece earlier in the year. Nevertheless sellers emerged on the grounds that any bad feeling from MAM could upset a deal that would need complete mutual agreement.

Elsewhere, the hunt is on for other merger or takeover candidates as some dealers excitedly predict Big Bang, phase two. Smith New Court jumped 24 to 444p and Kleinwort Benson 16 to 553p.

Mobile phones group Vodafone moved marginally ahead against the market in 12m turnover, finishing at 193½p. Recently floated TeleWest Communications dipped below its 182p issue price, closing a penny lower at 181p in 2.5m turnover. Building materials group Caradon came under clear pressure as part of a wider run against the construction sector on the back of interest rate fears. Caradon shed 13½ to 230p while housebuilder Barratt Development tumbled 10 to 141p.

The latest setback pushes Caradon's market capitalisation down to less than £1.4bn and to a level that leaves the group bumping along at the bottom of the Footsie rankings.

Revived speculation that De La Rue, the bank note printer, was poised to make an offer for Portals, the specialist paper maker, motivated the share prices of the two groups.

Portals shares were up 60 at one stage on a Sunday newspaper report that the chairman had met De La Rue's chief executive over the weekend. The stock closed 41 higher at 874p while De La Rue fell 16 to 929p.

Paper manufacturer Arjo Wiggins Appleton lost 8 at 251p after S.G. Warburg became a seller of stock. The house also downgraded David S. Smith, which fell 20 to 498p.

Reports that UBS had turned negative on the property sector together with fears of another rise in UK interest rates sent shares in the sector into retreat. MEPC fell 17½ to 358p xd and Land Securities fell 13 to 545p, in trade of 3.3m while British Land eased 2 to 361p, and Hammerson relinquished 2 to 306p.

Asda Group were in demand ahead of interim figures on Thursday. The shares edged a ¼ forward to 65p. Turnover in several stocks in the sector was boosted by programme trades. Volume in Budgens rose to 48m though the shares closed unchanged at 24p. Heavy volume of 41m was also seen in Park Food. It too closed unchanged at 121p. An agency cross in Tesco brought volume of 7m. The shares added a penny to 237.p.

Stores group House of Fraser edged forward a half to 183p, following a recommendation from NatWest Securities. Advising investors to add to holdings, NatWest said, "House of Fraser has all the necessary ingredients to engineer a recovery and the strategy is already delivering encouraging results."

However, the securities house downgraded current year profit expectations by £6m to £40m, and the following year's figure by £8m to £51m.

Football club Manchester United firmed a penny to 615p ahead of this morning's four-for-one scrip issue which will see the share price divided by five at the outset.

Food manufacturer Hillsdown Holdings benefited from visits to institutions, adding 2 to 175p.

SmithKline Beecham shed 4 to 423½p as the company held an international conference call.

Rival Wellcome dropped 13 to 655p. Dealers cited a US news report alleging possible write-downs by the company.

Pharmaceuticals group Proteus International fell 45 to 195p in response to a lengthy and critical Sunday newspaper article.

British Aerospace moved ahead strongly against the market following the cancellation of the second stage of a £535m rights issue, rising 4½ to 427p in 1.1m turnover.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (9).
BUILDING & CNSTRN (2) Andrews Sykes, Brandon Hire, DIVERSIFIED INDLS (1) Whitecroft, ELECTRICITY (1) Northern, LEISURE & HOTELS (1) VCI, OTHER SERVS & BUSNS (1) Greenway, PRTNG, PAPER & PACKG (1) Portals, SUPPORT SERVS (1) Serveer, TRANSPORT (1) Stagecoach.
NEW LOWS (223).
GILTS (1) BANKS (4) BREWERIES (3) Fuller STA, Vaux, BUILDING & CNSTRN (12) MATLS & MCHTS (13) Bardon, Cape, Caradon, Do 7¾p Cnv. Prf., Heath (S), Heywood Williams, Lilleshall, Norcros, Pilkington, Do Wrnts., Redland, Rugby, Tarmac, CHEMICALS (8) Cape Inds. 8.4pc Prf., Engelhard, Hickson Int'l., Kalon, Laporte, Manders, DISTRIBUTORS (3) Lex Service, Malaya, DIVERSIFIED INDLS (7) ELECTRNC & ELECT EQUP (6) ENGINEERING (7) Cooper (Fd), FKI, Molins, SKF, Triplex Lloyd, Victaulic, Whatman, ENG, VEHICLES (1) BSG Int'l., EXTRACTIVE INDS (6) FOOD MANUF (1) J.L. HEALTH CARE (6) Amersham Int'l., Assoc. Nursing Servs., Care UK, Cortecs, Hasmocell, Scholl, HOUSEHOLD GOODS (3) Black (P), Tarns (4), INSURANCE (2) General Accident, Odal, INVESTMENT TRUSTS (67) INVESTMENT COMPANIES (1) LEISURE & HOTELS (3) LIFE ASSURANCE (4) Lloyds Abbey Life, London & Manchester, Refuge, Utd Friendly, MEDIA (6) Haynes Publsg., Holmes Marchant, Independent, News Int'l. Special Div., Sterling Publsg., Trinity Int'l., OIL EXPLORATION & PROD (3) Energy Equity, San Resources, Vanguard, OIL, INTEGRATED (2) Burmah Castrol, Petrofina. OTHER FINANCIAL (7) BWD, Christie, Hambro Ins. Service, Johnson Fry, Sharelink, St. James's Place Cap., Save Pacific, OTHER SERVS & BUSNS (2) Leigh Ints., Waste Management Int'l., PHARMACEUTICALS (1) Cantab Pharma., PRTNG, PAPER & PACKG (2) Boxmore Int'l., Waco 8pc Cv. Pf., PROPERTY (22) RETAILERS, FOOD (1) Geest, RETAILERS, GENERAL (5) Boots, Brown (N), Castors, Liberty, Sotheby's, SPIRITS, WINES & CIDERS (2) Allied Domecq, Guinness, SUPPORT SERVS (2) Laser-Scan, Microgen, TELECOMMUNICATIONS (2) Cable & Wireless, Do 7pc Cnv. 2008, TEXTILES & APPAREL (6) Coats Viyella, Dawson Int'l., Drummond, Lambert Howarth, Richards, TRANSPORT (4) AMERICANS (2) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures fell steeply in average trading volume, running up a sizeable discount to cash equities and triggering negative arbitrage business, writes *Jeffrey Brown*.

The FT-SE 100 December contract was 2934 at the close of pit trading, down 31 points for a decline of 82 points over the past two sessions.

Having traded in the 16 points range for much of the day the discount to the cash market at the close was around 10 points or eight points under fair value.

Activity was again little better than average despite the appearance of one big seller, Goldman Sachs, which pushed through 500 lots during the morning session.

Contracts traded totalled 18,839, but more than 5,000 of this was spread trading into the March contract, so underlying activity was again little better than average.

Apart from Goldman Sach's mid-morning swoop, activity was mostly confined to local, independent traders and fairly extensive dealer arbitrage.

Although the discount to cash equities was at times wide, there was rarely any real weight of selling or concerted attempts to drive the cash market down, traders said.

Stock option volume was 28,048, against 33,615 on Friday. Call and put volume was evenly matched with FT-SE and Euro FT-SE trades accounting for more than 16,000 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2977.0	2934.0	-33.0	2992.0	2928.0	20431	35542
Mar	2993.0	2951.5	-33.5	3010.0	2946.0	5602	32624
Jun		2961.5	-33.5			0	2192

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3375.0	3367.5	-24.0	3375.0	3375.0	84	1832
Mar	3408.0	3399.0	-25.0	3408.0	3407.0	84	3500

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3367.0	-	-	-	-	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2943) £10 per full index point

	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P
Dec	193	1½	143	2½	93	5½	50	14½	20½	35½	6	72½	1	122	1	172
Jan	215	20	174	28	138½	41½	105	59	76½	82½	54	111	35	144½	29½	183½
Feb	236½	31	197	42½	161	58½	129½	76	101	99	76½	127½	58	157½	29½	193½
Mar	231½	45	209½	58	174	73	145	94	116	116	92½	144	71½	173½	54	206

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

FT-SE Actuaries Share Indices — The UK Series

	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3254.6	4.37	7.56	15.63	124.26	1121.78
FT-SE Mid 250	3607.6	3.77	6.15	19.54	130.11	1266.89
FT-SE Mid 250 ex Inv Trusts	3601.6	3.93	6.67	18.17	135.92	1264.16
FT-SE-A 350	1621.2	4.23	7.24	16.38	61.15	1151.62

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	411	392	-1
ASDA Group†	4,500	65	+¼
Abbey National†	2,500	402	-4
Albert Fisher	2,800	45	+2
Allied Domecq†	1,400	531	-12
Anglian Water	932	472	-6
Argos	238	326	+3
Argyll Group†	1,700	237	-1
Arjo Wiggins†	3,100	251	-8

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	51	18
Other Fixed Interest	0	2	12
Mineral Extraction	21	79	96
General Manufacturers	63	216	349
Consumer Goods	20	70	96
Services	47	145	298

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

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مكررا من الاصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		834	.....	834	£13½	2,217	2.2	24.9
Barlow	♦	[illegible]	.....	[illegible]	[illegible]	1,070	1.9	♦
Gold Flds Prop R		118xa	.....	128	75	12.1	7.9	♦
MK Props		96	.....	98	85	3.82	12.7	-
SASOL	♥	491	.....	582	280	2,832	2.9	-
SA Brews	†	[illegible]	.....	[illegible]	£10	4,077	2.0	22.8
Tiger Oats		783xd	.....	838	538	1,147	2.0	17.9
Tongaat-Hulett	†h	725xc	.....	*725	[illegible]	660.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8633. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

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An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OTHER OFFSHORE FUNDS

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

CMI Insurance Co Ltd - Contd.

Century Life International

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Enterprise Group - Contd.

Europe 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Paquet International Fund Inc

Peru Select Group of Funds Limited

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

Private Asset Management GAM Fund Inc

Prospector Fund Management Ltd

Putnam Emerging Funds Ltd

State Street Banque SA

Stevens Offshore Limited

Suisse Finance Corporation

Swiss Bank Corporation

LUXEMBOURG

OFFSHORE INSURANCES

Sodific Asset Management Inc

Carl Spaengler KAG				
Long Term Value Trust NAV	$8888.85		–	–
Springfield Fund Mngmt (Gibraltar) Ltd				
Global Liquidity Fd Ltd	$182.44		–	5.48
Sri Lanka Growth Fund				
NAV Dec 8	$8.55		–	–

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Lira and French franc weaken on political worries

Political developments caused both the lira and the French franc to weaken yesterday, *writes Philip Gawith.*

Worries about the Berlusconi government falling lay behind the lira falling to a record low of L1,040 against the D-Mark. It eventually closed in London at L1,039, from L1,033 on Friday.

The decision of Mr Jacques Delors, president of the European Commission, not to stand for the French presidency next year undermined the franc. It closed at FFr3.439 against the D-Mark, from FFr3.430.

Amid quiet, pre-Christmas trading conditions, the other main movements were in German and UK short term interest rate futures, which exhibited generalised weakness.

Sterling had a quiet day. It finished marginally weaker against the stronger D-Mark, closing at DM2.4597 from DM2.4601. Against the dollar, it closed at $1.564 from $1.5597.

The dollar was weaker in Europe, closing at DM1.5728, from DM1.5773. Against the yen, it closed at Y99.875 from Y100.165. Most investors stayed on the sidelines, preferring to wait for market signals from US inflation releases, today and tomorrow.

A New York Times report, suggesting that the Fed might wait until January, or early February (instead of next week), to raise rates, prompted some selling.

■ The franc came under selling pressure as the market reacted to Mr Delors's announcement. Mr Julian Jessop, international economist at HSBC Markets, said the franc had weakened "because Delors was seen as the candidate who would have pushed hardest for closer European integration.

■ Pound in New York

Dec 12	—Latest—	– Prev. close –
£ spot	1.5640	1.5605
1 mth	1.5639	1.5604
3 mth	1.5637	1.5604
1 yr	1.5630	1.5600

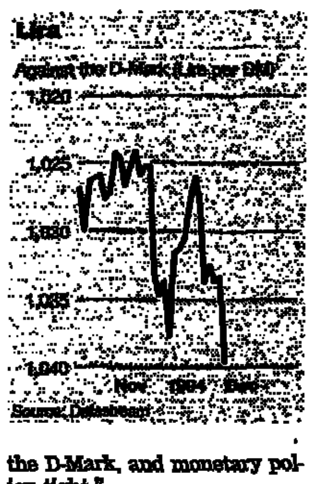
He was a strong supporter of the *franc fort* and, as the architect of the EMU convergence criteria, sound on the public finances and inflation."

He said Mr Delors would also have been the candidate most likely to defeat the right-wing leader, Mr Jacques Chirac. "Mr Chirac is seen as much more sceptical about Europe and more willing to throw money at unemployment."

Mr Avinash Persaud, currency strategist at JP Morgan in London, said Mr Delors's decision had increased uncertainty in the short term, hence the selling of francs.

"The market is also saying that we will have a squabble among right-wing candidates, and could lead to lots of insults being hurled at the EU and the idea of a single currency" he added.

In the longer term, Mr Persaud said he had "no doubt that Mr Trichet (governor of the Bank of France) would keep the franc closely linked to



the D-Mark, and monetary policy tight."

■ Lira weakness was prompted by comments from Mr Roberto Maroni, interior minister, and a member of the Northern league, who said he "could envisage a different government, with a different leadership, and a different majority."

His comments came ahead of the appearance today, before magistrates, of Mr Silvio Berlusconi, the prime minister, to answer allegations of corruption.

They also come against the backdrop of Mr Umberto Bossi, the Northern league leader, saying the governing alliance, of which the league is a part, must be reviewed.

Mr Persaud said lira weakness was also due to renewed strength in the D-Mark, helped by recent data suggesting Germany's economy was one of the strongest growing in Europe. "That is disturbing for other European countries because it means Germany may be raising rates much earlier than we had anticipated."

"It would certainly jeopardise some of the higher yielding European currencies," said Mr Persaud. Higher German interest rates would make it more difficult for countries like Italy and Spain to attract capital inflows.

■ Analysts were unable to explain the movements in sterling and D-Mark futures. They stressed that volumes were low, making firm conclusions difficult, and hence not too much should be made of the moves. "It was a case of midsummer madness in December," quipped one observer.

The D-Mark contracts set the tone for trading, with sterling simply following suit. Traders said the pattern of German markets this week would be set by developments in the US, particularly the inflation data.

The Bank of England supplied UK money markets with £986m of assistance, after forecasting a £1.1bn shortage. Overnight money moved between 4¾ and 7¼ per cent.

■ OTHER CURRENCIES

Dec 12	£	$
Hungary	176.061 - 176.297	112.690 - 112.700
Iran	2736.00 - 2741.00	1748.00 - 1750.60
Kuwait	0.4691 - 0.4701	0.3006 - 0.3005
Poland	37940.9 - 37989.0	24261.0 - 24285.0
Russia	5208.12 - 5215.95	3330.00 - 3335.00
U.A.E.	5.7428 - 5.7459	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3137	-0.0413	059 - 215	17.3550	17.3050	17.2999	1.0	17.2693	1.3	-	-	115.3
Belgium	(BFr)	50.5625	-0.017	199 - 051	50.6590	50.5190	50.5175	1.1	50.4375	1.0	49.8575	1.4	116.9
Denmark	(DKr)	9.6350	+0.006	307 - 392	9.6590	9.6301	9.6316	0.4	9.6392	-0.2	9.6057	0.3	116.6
Finland	(FM)	7.6329	+0.0272	233 - 424	7.6500	7.6130	-	-	-	-	-	-	87.5
France	(FFr)	8.4579	+0.0182	552 - 605	8.4761	8.4492	8.453	0.7	8.4465	0.5	8.3761	1.0	109.7
Germany	(DM)	2.4597	-0.0004	588 - 606	2.4678	2.4588	2.4582	0.8	2.4544	0.9	2.4201	1.6	126.1
Greece	(Dr)	379.728	+0.187	486 - 969	380.659	379.061	-	-	-	-	-	-	-
Ireland	(I£)	1.0159	-0.0018	151 - 166	1.0189	1.0150	1.0161	-0.2	1.0151	0.3	1.0139	0.2	105.3
Italy	(L)	2556.67	+14.44	563 - 771	2557.76	2541.12	2562.67	-2.8	2572.97	-2.6	2618.72	-2.4	73.1
Luxembourg	(LFr)	50.5625	-0.017	199 - 051	50.6590	50.5190	50.5175	1.1	50.4375	1.0	49.8575	1.4	116.9
Netherlands	(Fl)	2.7541	-0.0016	532 - 550	2.7627	2.7530	2.7522	0.8	2.7483	0.8	2.713	1.5	120.8
Norway	(NKr)	10.7256	+0.0162	208 - 303	10.7439	10.7084	10.7259	0.0	10.7245	0.0	10.7156	0.1	86.0
Portugal	(Es)	251.718	+0.146	583 - 852	252.106	250.423	252.538	-3.9	254.013	-3.6	-	-	-
Spain	(Pta)	206.020	+0.037	911 - 128	206.527	205.904	206.33	-1.8	206.88	-1.7	209.33	-1.6	85.2
Sweden	(SKr)	11.7775	+0.0643	670 - 879	11.8055	11.7122	11.7945	-1.7	11.827	-1.7	11.946	-1.4	75.6
Switzerland	(SFr)	2.0842	-0.0004	830 - 854	2.0897	2.0827	2.0796	2.5	2.0734	2.1	2.028	2.7	120.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.2893	+0.0016	885 - 901	1.2909	1.2876	1.2895	-0.2	1.2888	0.2	1.2806	0.7	-
SDR†	-	0.929520	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5608	+0.004	603 - 612	1.5678	1.5540	-	-	-	-	-	-	-
Brazil	(R$)	1.3192	+0.0013	181 - 203	1.3209	1.3161	-	-	-	-	-	-	-
Canada	(C$)	2.1662	+0.0068	653 - 670	2.1670	2.1574	2.1667	-0.2	2.1677	-0.3	2.1774	-0.5	85.7
Mexico	(New Peso)	5.3949	+0.0118	897 - 000	5.4040	5.3580	-	-	-	-	-	-	-
USA	($)	1.5640	+0.0043	636 - 643	1.5644	1.5577	1.564	0.0	1.5641	0.0	1.5633	0.0	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0213	+0.0048	202 - 224	2.0229	2.0153	2.0232	-1.1	2.0276	-1.3	2.057	-1.8	-
Hong Kong	(HK$)	12.1038	+0.0337	007 - 069	12.1070	12.0546	12.0498	5.4	12.0493	1.8	12.0643	0.3	-
India	(Rs)	49.0611	+0.1348	462 - 760	49.0770	48.8890	-	-	-	-	-	-	-
Japan	(Y)	156.200	-0.023	126 - 274	156.480	156.110	155.65	4.2	154.685	3.9	148.87	4.7	189.2
Malaysia	(M$)	4.0087	+0.0094	070 - 104	4.0120	3.9936	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4612	+0.0025	597 - 627	2.4638	2.4565	2.4675	-3.1	2.4797	-3.0	2.5177	-2.3	-
Philippines	(Peso)	37.7225	+0.2909	359 - 091	37.8600	37.5850	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8660	+0.0161	643 - 677	5.8683	5.8428	-	-	-	-	-	-	-
Singapore	(S$)	2.2933	+0.0006	924 - 942	2.2952	2.2860	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5739	+0.0125	714 - 763	5.5774	5.5532	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4748	+0.0089	577 - 918	6.4967	6.4543	-	-	-	-	-	-	-
South Korea	(Won)	1240.45	+8.22	009 - 080	1240.83	1233.95	-	-	-	-	-	-	-
Taiwan	(T$)	41.3133	+0.1919	962 - 304	41.3334	41.1000	-	-	-	-	-	-	-
Thailand	(Bt)	39.2552	+0.1002	307 - 796	39.2800	39.1140	-	-	-	-	-	-	-

†SDR rates for Dec 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0705	-0.057	680 - 730	11.1325	11.0680	11.063	0.8	11.0465	0.9	10.949	1.1	104.3
Belgium	(BFr)	32.3300	-0.1	100 - 500	32.5080	32.3100	32.305	0.9	32.25	1.0	31.895	1.3	105.9
Denmark	(DKr)	6.1607	-0.0118	593 - 620	6.1947	6.1593	6.1589	0.3	6.1632	-0.2	6.1447	0.3	105.0
Finland	(FM)	4.8805	+0.004	755 - 855	4.9094	4.8755	4.8783	0.6	4.873	0.6	4.86	0.4	82.0
France	(FFr)	5.4080	-0.0033	075 - 085	5.4402	5.4040	5.4053	0.6	5.4009	0.5	5.358	0.9	106.1
Germany	(D)	1.5728	-0.0045	725 - 730	1.5820	1.5725	1.5719	0.7	1.5694	0.9	1.5481	1.6	106.8
Greece	(Dr)	242.800	-0.55	700 - 900	243.990	242.700	245.6	-13.8	250.25	-12.3	267.55	-10.2	68.3
Ireland	(I£)	1.5396	+0.007	388 - 403	1.5403	1.5280	1.5401	-0.4	1.5402	-0.1	1.5404	-0.1	-
Italy	(L)	1634.75	+4.75	445 - 505	1639.20	1629.03	1638.7	-2.9	1645.25	-2.6	1675.25	-2.5	73.8
Luxembourg	(LFr)	32.3300	-0.1	100 - 500	32.5080	32.3100	32.305	0.9	32.25	1.0	31.895	1.3	105.9
Netherlands	(Fl)	1.7610	-0.0059	608 - 612	1.7709	1.7608	1.76	0.7	1.7574	0.8	1.7355	1.5	105.5
Norway	(NKr)	6.8580	-0.0085	565 - 595	6.8902	6.8550	6.8592	-0.2	6.8515	0.4	6.7975	0.9	96.1
Portugal	(Es)	160.950	-0.35	900 - 000	161.690	160.600	161.475	-3.9	162.55	-4.0	165.7	-3.0	95.1
Spain	(Pta)	131.730	-0.34	690 - 770	132.490	131.690	131.935	-1.9	132.285	-1.7	133.91	-1.7	80.2
Sweden	(SKr)	7.5306	+0.0205	256 - 356	7.5526	7.5136	7.5418	-1.8	7.5631	-1.7	7.6406	-1.5	81.3
Switzerland	(SFr)	1.3327	-0.0039	322 - 331	1.3410	1.3322	1.3298	2.5	1.3258	2.1	1.2972	2.7	106.0
UK	(£)	1.5640	+0.0043	636 - 643	1.5644	1.5577	1.564	0.0	1.5641	0.0	1.5633	0.0	88.8
Ecu	-	1.2130	+0.0017	125 - 135	1.2135	1.2076	1.2131	-0.1	1.2134	-0.1	1.2205	-0.6	-
SDR†	-	1.45033	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-0.0002	979 - 980	0.9982	0.9977	-	-	-	-	-	-	-
Brazil	(R$)	0.8435	-0.0015	430 - 440	0.8440	0.8430	-	-	-	-	-	-	-
Canada	(C$)	1.3851	+0.0018	848 - 853	1.3857	1.3840	1.3853	-0.1	1.3841	0.3	1.3929	-0.6	82.3
Mexico	(New Peso)	3.4495	-0.002	470 - 520	3.4550	3.4360	3.4505	-0.3	3.4523	-0.3	3.4597	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.5
Pacific/Middle East/Africa													
Australia	(A$)	1.2924	-0.0005	920 - 928	1.2945	1.2912	1.2931	-0.7	1.2949	-0.8	1.3077	-1.2	91.9
Hong Kong	(HK$)	7.7383	+0.0003	380 - 385	7.7395	7.7380	7.7372	0.3	7.736	0.2	7.7438	-0.1	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	99.8750	-0.29	500 - 000	100.320	99.8500	99.525	4.2	98.895	3.9	95.22	4.7	149.1
Malaysia	(M$)	2.5632	-0.001	627 - 637	2.5639	2.5627	2.5602	1.4	2.5557	1.2	2.5837	-0.8	-
New Zealand	(NZ$)	1.5737	-0.0027	731 - 743	1.5775	1.5731	1.5746	-0.7	1.5771	-0.9	1.5861	-0.8	-
Philippines	(Peso)	24.1200	+0.12	700 - 700	24.1700	24.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-	505 - 510	3.7510	3.7505	3.7544	-1.1	3.7613	-1.1	3.7788	-0.7	-
Singapore	(S$)	1.4664	-0.0036	661 - 666	1.4691	1.4661	1.4648	1.3	1.4614	1.4	1.4449	1.5	-
S Africa (Com.)	(R)	3.5640	-0.0018	632 - 647	3.5647	3.5625	3.5795	-5.2	3.6116	-5.3	3.7765	-6.0	-
S Africa (Fin.)	(R)	4.1400	-0.007	300 - 500	4.1500	4.1300	4.168	-8.1	4.2125	-7.0	4.45	-7.5	-
South Korea	(Won)	793.150	+1.8	100 - 200	793.300	791.500	796.15	-4.5	799.85	-3.3	818.15	-3.2	-
Taiwan	(T$)	26.4160	+0.0502	110 - 210	26.4250	26.4000	26.436	-0.9	26.476	-0.9	-	-	-
Thailand	(Bt)	25.1000	-0.005	900 - 100	25.1100	25.0900	25.1295	-1.4	25.2205	-1.9	25.625	-2.1	-

†SDR rate for Dec 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 9. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅞	5⅞	5⅞	6⅛	7.40	4.50	-
week ago	4⅞	5⅞	5⅞	5⅞	6⅛	7.40	4.50	-
France	5¼	5¼	5⅞	6⅛	6⅛	5.00	-	6.75
week ago	5¼	5¼	5⅝	5⅞	6⅛	5.00	-	6.75
Germany	5.05	5.30	5.30	5.43	5.75	6.00	4.50	4.85
week ago	5.05	5.30	5.23	5.28	5.58	6.00	4.50	4.85
Ireland	5¼	5⅝	5⅝	6⅛	7⅛	-	-	6.25
week ago	5¼	5⅝	5⅝	6⅛	7⅛	-	-	6.25
Italy	8¼	8⅝	9	9⅛	10⅛	-	7.50	8.20
week ago	8¼	8⅝	8⅞	9⅛	9⅞	-	7.50	8.20
Netherlands	4.84	5.37	5.46	5.61	5.86	-	5.25	-
week ago	4.84	5.37	5.36	5.45	5.79	-	5.25	-
Switzerland	3⅞	4	4¼	4⅞	4⅝	6.625	3.50	-
week ago	3¾	4	4⅛	4⅝	4⅝	6.625	3.50	-
US	5½	6⅛	6⅛	6⅝	7½	-	4.75	-
week ago	5⅝	6⅛	6⅛	6⅝	7⅜	-	4.75	-
Japan	2¼	2⅛	2⅛	2⅞	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅞	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅝	6⅞	7⅛	-	-	-
week ago	-	6⅛	6⅝	6⅞	7⅞	-	-	-
US Dollar CDs	-	5.80	6.08	6.57	7.28	-	-	-
week ago	-	5.80	6.07	6.52	7.18	-	-	-
SDR Linked Ds	-	4⅝	4⅞	5⅛	5⅜	-	-	-
week ago	-	3⅞	3⅞	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅞; 6 mths: 6; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	6⅜ - 5½	6⅛ - 6
Danish Krone	5¼ - 5	5⅝ - 5⅜	5⅝ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	5⅛ - 5	5⅛ - 5	5⅝ - 5⅞	5½ - 5⅜	5⅝ - 5⅞	5⅞ - 5⅞
Dutch Guilder	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5⅜	5⅜ - 5¼	5⅞ - 5⅝
French Franc	5⅝ - 5¼	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5⅞	6⅜ - 6¼
Portuguese Esc.	9 - 8⅞	9 - 8⅞	10 - 9⅝	10½ - 9⅞	10⅞ - 10⅜	10⅞ - 10⅝
Spanish Peseta	7⅝ - 7⅛	7⅝ - 7½	8 - 7¾	8⅜ - 7⅞	8⅝ - 8⅜	9⅝ - 9⅛
Sterling	6½ - 6⅛	6¼ - 6⅛	6⅞ - 6⅝	6⅞ - 6⅝	7 - 6⅞	7¾ - 7⅝
Swiss Franc	3⅝ - 3¼	3½ - 3⅜	4 - 3⅞	4⅜ - 4⅛	4⅞ - 4⅝	4¾ - 4⅝
Can. Dollar	5⅞ - 5⅜	5⅝ - 5⅞	6⅛ - 6	6¾ - 6⅝	7⅛ - 7⅞	8¼ - 8⅛
US Dollar	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6	6⅜ - 6¼	6⅞ - 6⅝	7⅞ - 7⅞
Italian Lira	9 - 7½	8⅜ - 8¼	8⅝ - 8½	8⅞ - 8⅞	9⅜ - 9⅜	10 - 9⅞
Yen	2⅛ - 2⅛	2⅜ - 2⅛	2⅜ - 2⅛	2⅜ - 2⅜	2½ - 2⅞	2¾ - 2⅞
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	4⅞ - 4⅝	4⅝ - 4⅞	4⅞ - 4⅝	4⅞ - 4⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.15	94.14	-0.09	94.18	94.18	12,963	31,045
Mar	93.72	93.57	-0.23	93.72	93.72	47,877	44,802
Jun	93.30	93.22	-0.22	93.32	93.32	16,136	37,003
Sep	93.04	92.97	-0.21	93.06	93.06	10,769	24,370

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.62	-0.01			0	2627
Mar		92.68	-0.08			0	1458
Jun		92.06	-0.12			0	393
Sep		91.76	-0.11			0	177

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.58	94.49	-0.12	94.58	94.48	20991	117204
Mar	94.41	94.31	-0.13	94.41	94.30	49001	188116
Jun	94.09	93.99	-0.13	94.09	93.96	28013	138680
Sep	93.73	93.64	-0.15	93.75	93.64	15548	84697

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.98	90.72	-0.34	90.97	90.70	2553	23504
Mar	90.25	89.92	-0.40	90.25	89.85	14531	36121
Jun	89.67	89.46	-0.38	89.72	89.42	3049	16435
Sep	89.32	89.14	-0.31	89.35	89.07	1071	22861

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.77	95.76	-0.04	95.79	95.75	1016	12188
Mar	95.46	95.43	-0.06	95.47	95.41	3733	17698
Jun	95.13	95.10	-0.07	95.14	95.10	775	8297
Sep	94.87	94.85	-0.09	94.90	94.86	724	3113

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.75	93.69	-0.10	93.78	93.69	573	7600
Mar	93.45	93.34	-0.15	93.47	93.33	1078	8839
Jun	93.02	92.92	-0.14	93.02	92.92	497	4444
Sep	92.55	92.53	-0.09	92.55	92.54	100	2709

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.73	4.864	2.008	5055	5.447	21.20	497.8	407.4	23.28	4.122	1.978	4.284	3.093	308.9	2.549
Denmark	(DKr)	52.48	10	8.777	2.552	1.053	2653	2.858	11.13	261.2	213.8	12.22	2.163	1.038	2.248	1.623	162.1	1.338
France	(FFr)	59.78	11.39	10	2.908	1.200	3022	3.256	12.68	297.6	243.6	13.92	2.464	1.182	2.561	1.849	184.7	1.524
Germany	(DM)	20.56	3.916	3.439	1	0.413	1039	1.120	4.359	102.4	83.77	4.788	0.847	0.407	0.881	0.636	63.52	0.524
Ireland	(I£)	49.81	9.493	8.332	2.423	1	2518	2.713	10.56	248.0	203.0	11.60	2.053	0.985	2.134	1.541	153.9	1.270
Italy	(L)	1.978	0.377	0.331	0.096	0.040	100.	0.108	0.419	9.847	8.059	0.460	0.082	0.039	0.085	0.061	6.111	0.050
Netherlands	(Fl)	18.36	3.499	3.071	0.893	0.369	928.1	1	3.893	91.39	74.80	4.274	0.757	0.363	0.786	0.568	56.72	0.468
Norway	(NKr)	47.16	8.986	7.889	2.294	0.947	2384	2.569	10	234.8	192.2	10.98	1.944	0.933	2.021	1.459	145.7	1.202
Portugal	(Es)	20.09	3.828	3.360	0.977	0.403	1015	1.094	4.259	100.	81.84	4.678	0.828	0.397	0.861	0.621	62.06	0.512
Spain	(Pta)	24.54	4.677	4.105	1.194	0.493	1241	1.337	5.204	122.2	100.	5.714	1.012	0.485	1.051	0.759	75.83	0.626
Sweden	(SKr)	42.96	8.186	7.185	2.089	0.862	2172	2.340	9.108	213.8	175.0	10	1.771	0.850	1.840	1.329	132.7	1.095
Switzerland	(SFr)	24.26	4.623	4.058	1.180	0.487	1226	1.321	5.144	120.8	98.85	5.648	1	0.480	1.039	0.750	74.95	0.619
UK	(£)	50.56	9.635	8.457	2.459	1.015	2556	2.754	10.72	251.7	206.0	11.77	2.084	1	2.166	1.564	156.2	1.289
Canada	(C$)	23.34	4.448	3.904	1.135	0.469	1180	1.271	4.949	116.2	95.11	5.434	0.962	0.462	1	0.722	72.11	0.595
US	($)	32.33	6.160	5.407	1.572	0.649	1634	1.761	6.854	160.9	131.7	7.526	1.332	0.639	1.385	1	99.87	0.824
Japan	(Y)	32.37	6.168	5.414	1.574	0.650	1636	1.763	6.863	161.1	131.9	7.535	1.334	0.640	1.387	1.001	100.	0.825
Ecu		39.22	7.475	6.561	1.908	0.787	1983	2.137	8.317	195.3	159.8	9.131	1.617	0.776	1.680	1.213	121.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6340	0.6357	+0.0014	0.6358	0.6326	29,795	64,006
Mar	0.6350	0.6370	+0.0014	0.6371	0.6340	12,559	48,385
Jun	0.6388	0.6395	-	0.6395	0.6388	52	1,660

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9987	1.0016	+0.0022	1.0016	0.9975	22,606	50,482
Mar	1.0083	1.0111	+0.0024	1.0111	1.0082	15,372	52,370
Jun	-	1.0235	-	1.0235	-	961	2,148

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7479	0.7509	+0.0024	0.7509	0.7465	18,455	40,218
Mar	0.7518	0.7543	+0.0023	0.7546	0.7497	9,028	24,838
Jun	-	0.7590	-	0.7590	-	29	483

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5616	1.5640	+0.0028	1.5640	1.5590	9,498	36,179
Mar	1.5580	1.5640	+0.0028	1.5644	1.5580	8,060	37,895
Jun	-	1.5620	-	1.5620	-	1	159

UK INTEREST RATES

LONDON MONEY RATES

Dec 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7½ - 6	6⅛ - 6⅛	6¼ - 6	6⅞ - 6⅝	7 - 6⅞	7¾ - 7⅝
Sterling CDs	-	-	6⅛ - 6⅛	6¾ - 6⅝	6⅞ - 6¾	7⅜ - 7½
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 6	-	-
Bank Bills	-	-	6 - 5⅞	6⅛ - 6⅛	6⅝ - 6⅝	-
Local authority deps.	6⅛ - 5⅞	6⅜ - 6⅛	6⅜ - 6⅛	6⅞ - 6⅝	6⅞ - 6⅞	7⅞ - 7⅝
Discount Market deps	7 - 6¼	6¼ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3⅝	3⅝	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.9058pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1995, Scheme II & III 7.38pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Scheme IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.50	93.50	-0.02	93.52	93.49	7178	102027
Mar	92.63	92.55	-0.10	92.63	92.53	19255	91881
Jun	92.00	91.93	-0.12	92.01	91.92	5881	64099
Sep	91.57	91.50	-0.11	91.58	91.49	3823	82172

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.05	0.01	0.03	0.05	0.96	1.60
9375	0	0	0.02	0.25	1.20	1.84
9400	0	0	0.01	0.50	1.45	2.09

Est. vol. total, Calls 5311 Puts 4809. Previous day's open int., Calls 337016 Puts 241369

EMS EUROPEAN CURRENCY UNIT RATES

Dec 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14319	-0.00184	-2.44	6.46	-
Ireland	0.808628	0.789814	-0.001645	-2.33	6.34	16
Belgium	40.2123	39.3416	-0.0415	-2.17	6.16	16
Germany	1.94964	1.91400	-0.00138	-1.83	5.80	-
France	6.53883	6.57979	+0.00654	0.63	3.21	-5
Denmark	7.43679	7.49645	+0.00157	0.80	3.03	-5
Portugal	192.854	195.780	-0.072	1.52	2.31	-10
Spain	154.250	160.206	-0.114	3.86	0.00	-27
NON ERM MEMBERS						
Greece	264.513	295.441	-0.04	11.69	-7.01	-
Italy	1793.19	1984.50	+6.56	10.67	-6.15	-
UK	0.786749	0.777166	+0.00007	-1.22	5.14	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.500	6.26	6.30	6.53	-	0.01	0.27
1.525	3.77	4.01	4.48	-	0.20	0.69
1.550	1.42	2.13	2.78	0.05	0.76	1.48
1.575	0.09	0.86	1.58	1.21	1.98	2.64
1.600	-	0.26	0.79	3.53	3.80	4.32
1.625	-	0.03	0.34	6.02	6.07	6.35

Previous day's vol., Calls 4,878 Puts 13,820. Prev. day's open int., Calls 405,802 Puts 366,111

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.63	93.61	-0.03	93.64	93.60	40,404	317,923
Mar	92.75	92.67	-0.08	92.76	92.66	99,351	480,705
Jun	92.13	92.07	-0.08	92.16	92.05	102,993	352,148

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.38	94.31	-0.08	93.38	93.31	3,323	19,405
Jun	92.76	92.73	-0.07	92.77	92.73	134	4,091
Sep	92.45	92.45	-0.05	92.45	92.45	213	967

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9425	0.25	0.15	0.19	0.22	0.01	0.09	0.13	0.16
9450	0.05	0.04	0.07	0.10	0.06	0.23	0.28	0.29
9475	0.01	0.01	0.02	0.04	0.27	0.45	0.46	0.48

Est. vol. total, Calls 3630 Puts 16206. Previous day's open int., Calls 223597 Puts 204968

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9575	0.06	0.06	0.07	0.05	0.38	0.72
9600	0.01	0.03	0.03	0.25	0.60	0.93
9625	0	0.02	0.01	0.49	0.84	1.16

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2815 Puts 1815

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	●United Bk of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	6.25	Western Trust	5.75
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25	● Members of London Investment Banking Association	
Brit Bk of Mid East	6.25	Hongkong & Shanghai.	6.25	* In administration	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
CL Bank Nederland	6.25	●Leopold Joseph & Sons	6.25		
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Meghraj Bank Ltd	6.25		
The Co-operative Bank	6.25	Midland Bank	6.25		
Coutts & Co	6.25	* Mount Banking	6		
Credit Lyonnais	6.25	NatWestminster	6.25		
Cyprus Popular Bank	6.25	●Rea Brothers	5.75		

CONTRACTS & TENDERS

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 12 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 12 / Frs.)

[illegible]

DENMARK (Dec 12 / Kr)

[illegible]

FINLAND (Dec 12 / Mkk)

[illegible]

FRANCE (Dec 12 / Frs.)

[illegible]

GERMANY (Dec 12 / Dm.)

[illegible]

ITALY (Dec 12 / Lira)

[illegible]

NETHERLANDS (Dec 12 / Fls.)

[illegible]

NORWAY (Dec 12 / Kroner)

[illegible]

SPAIN (Dec 12 / Pta.)

[illegible]

SWEDEN (Dec 12 / Kronor)

[illegible]

SWITZERLAND (Dec 12 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 12 / Yen)

[illegible]

AUSTRALIA (Dec 12 / Aust$)

[illegible]

HONG KONG (Dec 12 / H.K.$)

[illegible]

MALAYSIA (Dec 12 / MYR)

[illegible]

SINGAPORE (Dec 12 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 12 / Can $)

4 pm close

[illegible]

MONTREAL (Dec 12 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 12 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, December 12, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	7.8m	349	-9	Sumitomo Chem	2.8m	557	-4
Sumitomo Mtl Ind	4.1m	307	-5	Sankyu	2.4m	452	+8
Nippon Paint	3.3m	674	+10	Kobe Steel	2.4m	296	-12
Nissan Motor	3.1m	808	+2	Mitsubishi Hvy	2.1m	712	-4
Odakyu El Rail	3.1m	700	+4	Fujitsu	2.0m	981	-3

INDICES

	Dec 12	Dec 9	Dec 8	1994 High	1994 Low
Argentina					
General (29/12/77)	(u)	17235.91	(c)	25476.49 16/2	16752.81 28/11
Australia					
All Ordinaries(1/1/80)	1842.0	1850.9	1875.0	2340.60 3/2	1842.00 12/12
All Mining(1/1/80)	879.1	890.3	907.7	1136.19 3/2	879.19 12/12
Austria					
Credit Aktien(30/12/84)	367.98	369.03	(c)	488.88 2/2	376.94 25/10
Traded Index(2/1/91)	1030.90	1033.78	(c)	1222.25 1/2	1011.36 6/6
Belgium					
BEL20 (1/1/91)	1384.84	1389.44	1399.08	1542.85 9/2	1339.38 7/10
Brazil					
Bovespa (29/12/83)	(u)	47313.0	47687.0	59118.69 13/9	3800.90 3/1
Canada					
Metals Minls♦(1975)	(c)	3953.73	3980.50	4278.82 20/10	3298.08 20/4
Composite♦ (1975)	(c)	4034.33	4046.57	4699.99 23/3	3989.90 24/6
PortfolioSS (4/1/83)	(c)	1986.73	1989.40	2182.89 1/2	1888.48 28/6
Chile					
IPGA Gen (31/12/80)	(u)	5580.7	(c)	5784.40 21/11	3801.28 4/4
Denmark					
CopenhagenSE(3/1/83)	337.05	338.56	338.87	415.78 2/2	337.05 12/12
Finland					
HEX General(28/12/90)	1813.8	1838.7	1857.7	1972.00 4/2	1601.10 3/1
France					
SBF 250 (31/12/90)	1271.33	1282.34	1290.13	1565.29 2/2	1227.86 25/10
CAC 40(31/12/87)	1919.32	1936.90	1954.09	2355.93 2/2	1824.42 25/10
Germany					
FAZ Aktien(31/12/58)	784.71	783.76	787.21	889.27 18/5	742.04 5/10
Commerzbank(1/12/53)	2180.20	2177.20	2187.5	2486.89 2/5	2118.30 5/10
DAX (30/12/87)‡	2024.82	2028.33	2042.21	2271.11 18/5	1989.69 7/10
Greece					
Athens SE(31/12/80)	881.81	889.94	872.24	1194.89 18/1	864.37 22/11
Hong Kong					
Hang Seng(31/7/64)	7707.78	7769.07	8068.31	12201.09 4/1	7707.78 12/12
India					
BSE Sens.(1979)	3664.48	3967.87	3925.73	4630.57 12/9	3454.09 5/1
Indonesia					
Jakarta Comp.(10/8/82)	447.76	454.08	461.20	612.89 5/1	447.76 12/12
Ireland					
ISEQ Overall(4/1/88)	1789.53	1781.93	1798.16	2062.16 20/1	1694.14 1/7
Italy					
Banca Comm Ital (1972)	596.19	601.52	(c)	817.17 10/5	596.19 12/12
MIB General (4/1/94)	949.0	974.0	(c)	1318.80 10/5	944.60 10/1
Japan					
Nikkei 225 (16/5/49)	18976.10	18978.30	19180.04	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	277.29	277.81	280.50	311.71 13/6	266.22 4/1
Topix (4/1/68)	1503.78	1506.08	1521.06	1712.73 13/6	1445.97 4/1
2nd Section (4/1/68)	2075.18	2080.57	2090.13	2542.85 8/7	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	895.77	911.28	925.34	1314.46 5/1	895.77 12/12

	Dec 12	Dec 9	Dec 8	1994 High	1994 Low
Mexico					
IPC (Nov 1978)	(c)	2457.79	2469.90	2881.17 8/2	1957.33 20/4
Netherland					
CBS TtlRtnGen(End 83)	431.6	432.7	434.8	454.98 31/1	406.30 21/6
CBS All Shr (End 83)	270.8	271.5	272.8	294.89 31/1	257.80 21/6
New Zealand					
Cap. 40 (1/7/86)	1878.09	1889.95	1914.22	2438.84 3/2	1878.09 12/12
Norway					
Oslo SE(Ind)(2/1/83)	1085.85	1095.82	1108.82	1211.19 28/2	980.91 21/6
Philippines					
Manila Comp (2/1/85)	2619.83	2607.66†	2658.36	3398.37 4/1	2587.33 9/3
Portugal					
BTA (1977)	2987.3	2982.0	(c)	3228.69 18/2	2812.89 20/6
Singapore					
SES All-S'pore(2/4/75)	507.54	510.75	518.37	641.61 4/1	507.54 12/12
South Africa					
JSE Gold (28/9/78)	1877.5♥	1903.5	1950.8	2534.00 7/9	1749.08 14/2
JSE Indl. (28/9/78)	6819.8♥	6853.5	6903.2	6994.10 22/11	5449.00 19/1
South Korea					
KoreaCmpEx(4/1/80)**	1044.86	1037.67	1053.70	1138.75 8/11	855.37 2/4
Spain					
Madrid SE (30/12/85)	300.18	302.11	(c)	358.31 31/1	288.86 26/10
Sweden					
AffarsvarldGen (1/2/37)	1455.10	1464.80	1476.40	1583.90 31/1	1334.78 6/7
Switzerland					
Swiss Bk Ind (31/12/58)	1211.22	1214.25	1217.69	1423.34 31/1	1128.72 27/10
SBC General (1/4/87)	909.91	912.24	915.57	1083.29 31/1	876.57 27/10
Taiwan					
WeightedPr.(30/6/66)**	5763.50	5763.01	5775.38	7191.13 30/9	5194.93 19/3
Thailand					
Bangkok SET (30/4/75)	(c)	1276.50	1310.26	1783.73 4/1	1198.59 4/4
Turkey					
Istanbul Cmp.(Jan 1986)	28814.0	28682.5	28893.8	29145.10 2/12	12986.70 24/3
WORLD					
MS Capital Int (1/1/70)$	597.9*	597.0	602.3	649.90 2/11	591.80 4/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	1309.12	1321.58	1333.80	1649.19 31/1	1286.48 5/10
Euro Top-100 (26/6/90)	1150.08	1160.40	1172.88	1311.91 2/2	1138.48 5/10
JCapelDgns (31/12/88)	(c)	287.27	286.44	365.19 5/1	287.27 9/12
Barings Emerg.(7/1/92)	(u)	170.18	170.16	194.79 26/9	141.65 21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	1936.0	1926.0	-16.0	1957.0	-	19,281	33,021
Jan	1945.0	1934.0	-16.0	1960.5	1936.0	233	998
Feb	1969.0	1943.5	-16.0	1969.0	1969.0	-	253

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 9	Dec 8	Dec 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3691.11	3685.73	3735.52	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.28	94.37	94.29	105.61 (21/1)	93.61 (28/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1380.97	1377.48	1415.57	1862.29 (2/2)	1377.48 (8/12)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	179.34	179.61	180.46	227.08 (3/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3713.32 (3757.39) Low 3638.97 (3670.25) (Theoretical♦)
Day's high 3691.46 (3742.93) Low 3665.11 (3678.33) (Actual♦)

Standard and Poors	Dec 9	Dec 8	Dec 7	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	446.96	445.45	451.23	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	530.28	528.45	535.72	568.10 (26/10)	510.05 (21/4)	568.10 (26/10/94)	3.62 (21/6/32)
Financial	40.54	40.45	41.23	46.84 (14/6)	39.87 (22/11)	48.48 (26/9/93)	8.64 (1/10/74)
NYSE Comp.	244.17	243.80	246.85	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	420.86	422.81	428.19	487.89 (2/2)	420.86 (9/12)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	719.05	719.12	734.27	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 9	Dec 2	Nov 25	Year ago
Dow Jones Ind. Div. Yield	2.88	2.84	2.87	2.68
	Dec 7	Nov 30	Nov 23	Year ago
S & P Ind. Div. yield	2.48	2.46	2.48	2.40
S & P Ind. P/E ratio	18.29	18.42	18.29	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	-	447.90	-	-	-	26,120	128,903
Mar	450.75	449.95	-0.95	451.10	449.90	107,748	151,328
Jun	-	455.30	-	-	-	598	6,425

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Vodafone	8,463,400	30⅝	+1
RJR Nabisco	5,979,500	5⅞	+⅛
Wal-Mart	5,959,000	21½	+⅛
Br Airways	3,995,000	55⅝	-1⅛
Hanson	3,793,800	18¾	----
Ford Motor	3,567,500	28⅜	-⅛
Telefonos	3,410,700	51⅞	+1
Gen Motors	3,145,700	37⅞	-⅛
A T & T	3,086,100	49⅝	+½
Merrill Lynch	3,080,700	39⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)	Dec 9	Dec 8	Dec 7
New York SE	337.791	362.286	283.464
Amex	16.707	18.776	14.529
NASDAQ	308.529	306.438	249.235
NYSE			
Issues Traded	2,913	2,936	2,917
Rises	936	529	687
Falls	1,282	1,830	1,535
Unchanged	695	577	695
New Highs	5	4	10
New Lows	288	255	174

** Sat Dec 10: Taiwan Weighted Price 5722.51; Korea Comp Ex 1033.27. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX-after-hours Index: Dec 12 - 2003.64 -20.55.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close December 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17 3/8	11 7/8	AAR	0.48	3.7	22	1160	12 7/8	12 3/4	12 7/8	+1/8
18 1/8	12 5/8	A L Labs A	0.18	1.1	38	55	16 5/8	16 1/2	16 5/8	+1/8
79 3/8	57 3/8	AMP	1.68	2.4	21	1903	70 1/2	69 5/8	70 1/2	+1/2
72 3/4	48 1/8	AMR			105	2056	50 1/8	49 3/4	49 7/8	-1/2
5	3 3/4	ARX			12	95	3 7/8	3 3/4	3 3/4	
58 1/8	39 5/8	ASA	2.00	4.5	23	980	44 1/4	42 7/8	44 1/4	+1 3/8
33	25 3/8	AbbotL	0.76	2.4	17	8559	32 1/4	31 1/2	32 1/8	+5/8
15 1/4	11 3/8	Abitibi Pr	0.50	3.7	12	69	13 1/2	13 1/4	13 1/2	+1/4
23 5/8	17 3/4	ABM Ind	0.52	2.4	13	13	21 5/8	21 1/2	21 5/8	+1/2
18	11 1/8	Acptacoin			10	35	13 3/4	13 1/2	13 5/8	+1/4
31	20 3/4	ACE Ltd	0.44	1.9	22	124	22 7/8	21 3/4	22 3/4	+3/4
12 1/2	9	ACM Gvt In x	1.09	11.7	8	461	9 3/8	9 1/4	9 3/8	
10 1/8	6 7/8	ACM GvOpp x	0.80	11.2		154	7 1/8	d6 7/8	7 1/8	+1/8
10 5/8	6 1/4	ACM Gvt Sp x	0.95	13.2		274	7 3/8	7 1/8	7 1/4	-1/8
12	7 5/8	ACM Gvt Se x	1.08	12.9		317	8 3/4	8 1/2	8 1/2	-1/4
11 3/4	7 3/8	ACM Man x	1.08	13.1		259	8 3/8	8 1/4	8 1/4	-1/8
9 1/4	8	ACM Mangd x	0.72	8.9		115	8 1/4	8 1/8	8 1/8	-1/8
15 1/2	8 3/4	AcmeCv	0.44	3.9	29	7	11 3/8	11 3/8	11 3/8	
13 7/8	6 1/2	Acme Elect			13	51	12 7/8	12 1/2	12 3/4	+1/2
30	23	Acordia	0.60	2.0	15	12	29 3/8	29 3/4	29 3/4	
13 3/4	6 3/4	Actava	0.36	4.0	2	114	9	8 7/8	9	+1/8
16 7/8	11 1/4	Acuson			25	682	16 3/8	15 3/4	15 5/8	-1/8
18 3/8	15 1/2	Adams Expr	0.68	4.4	0	132	15 5/8	d15 1/2	15 5/8	+1/8
64	49 1/2	Ad Micro	3.00	5.8		6	52 1/4	51 3/4	51 3/4	-5/8
31 3/4	16 3/4	AdvMic	3.00	12.9	7	8594	24 1/4	23 1/2	23 1/4	-1/2
6 7/8	5	Advest Grp	0.16	3.0	15	163	5 1/4	5 1/4	5 1/4	
20	15	Advo Inc	0.10	0.6	15	171	16	15 3/4	16	
64	48 3/8	Aegon ADR	1.47	2.3	12	14	62 3/4	62 1/2	62 3/4	+1/4
65 3/4	42 1/4	AetnaL	2.76	6.1	6	2314	45 5/8	44 3/4	45 1/4	+3/4
38 1/8	25 3/4	Aflac	0.46	1.4	12	769	33 3/8	32 7/8	33	

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NYSE COMPOSITE PRICES

4 pm close December 12

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 12

AMEX COMPOSITE PRICES

4 pm close December 12

AMERICA

Blue chips outperform in light trading

Wall Street

US shares were mixed yesterday morning as blue chip stocks outperformed companies on more widely traded indices, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was up 5.05 at 3,696.16. The more broadly-based Standard & Poor's 500 fell 0.13 at 446.84, the American Stock Exchange composite dropped 0.86 at 419.80 and the Nasdaq composite fell 5.77 at 713.28. Trading volume on the NYSE was 157m shares.

Trading was extremely light as investors waited for data on producer prices, consumer prices and capacity utilisation due out today and tomorrow. Economists expected all the figures to show a robust economy, which may send a shock through the market as it could prompt the Federal Reserve to move sooner, rather than later, to increase interest rates.

The Fed has already raised rates six times this year, and its chairman, Mr Alan Greenspan, told a Congressional panel last week that he would continue a tight monetary policy in order to hold the line against inflation.

The Nasdaq lost 0.8 per cent after IBM announced that it would halt shipment of all personal computers based on the Pentium chip. This hit Intel, which makes the Pentium microprocessor, and other large technology companies on the Nasdaq.

Intel fell $4¼ at $58¼ on the news. Also falling were Dell Computer and Gateway 2000 – both computer makers that have shipped a high percentage of Pentium-based PCs. Dell dropped $2⅞ at $38⅞ and Gateway slipped $1 at $21⅝.

Shares in IBM were down $1¼ at $70⅝ after the announcement and following news that the US Supreme Court would not hear the computermaker's appeal against a lower court ruling in an anti-trust case.

Woolworth gained $¼ at $13⅞ after announcing that it had recruited Mr Roger Farah as its chairman and chief executive. Mr Farah had previously been head of Federated Department Stores and R.H. Macy.

Transco Energy gained $3½ at $16⅝ on news that it would be purchased by the energy company, Williams, in a cash and stock offer. Shares in Williams fell $3 at $23⅞.

Canada

Toronto was narrowly mixed and a little nervous at midday, waiting for a bid in the forest products sector by Canfor Corp for Slocan. The TSE 300 composite index was standing just 2.26 higher at 4,036.59.

Brazil

São Paulo rose 2.5 per cent in light mid-morning trade after news that the Fipe inflation index had dropped to 2.6 per cent in the four week period to December 8.

The Bovespa index of the 55 most-active shares was up 1,198 at 48,511 at 11.30 local time in turnover of R$75.2m ($89.1m) as brokers noted that falling inflation could trigger a new round of nominal interest rate cuts by the central bank.

A press report quoting the president-elect, Mr Fernando Henrique Cardoso, as saying that Brazilian domestic interest rates should fall so the country could take part in the Free Trade Area of the Americas was also seen as positive.

S Africa ends at day's low

Johannesburg finished at its low for the day as early steady sentiment was eroded by weaker London shares and concern about Wall Street's direction.

A lack of upward momentum in the gold price also depressed equities.

The overall index finished 45.6 lower at 5,648.9, industrials lost 33.9 to 6,819.6 and golds gave up 26 to 1,877.5.

De Beers finished R1.75 down at R89.75, Anglos was R3.25 lower at R220.75 and JCI fell R4 to R99. Gencor lost 10 cents to R13.65.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.83	+0.35	-10.92	-13.40	-10.00	-5.10
Belgium	-1.45	+0.98	-6.37	-8.82	-3.59	+1.65
Denmark	-1.28	-0.41	-8.17	-11.93	-8.05	-3.05
Finland	-1.54	-4.39	+21.27	+21.26	+36.59	+43.99
France	-1.98	-0.77	-10.94	-13.85	-10.84	-6.00
Germany	-0.76	-2.37	-9.19	-12.01	-8.11	-3.12
Ireland	-1.28	-1.78	+1.92	-2.96	+0.10	+5.53
Italy	-5.48	-7.31	+1.37	-2.95	-3.32	+1.92
Netherlands	-1.05	-0.55	-1.49	-5.14	-1.10	+4.26
Norway	-0.69	+5.19	+8.41	+2.37	+6.35	+12.12
Spain	+0.14	+1.96	-4.14	-7.56	-5.12	+0.04
Sweden	-1.93	-0.39	+8.61	+4.41	+9.91	+15.88
Switzerland	+0.14	-0.39	-7.64	-10.87	-6.07	-0.97
UK	-1.31	-3.32	-8.59	-12.72	-12.73	-7.98
EUROPE	-1.37	-2.06	-6.85	-10.44	-8.22	-3.23
Australia	-1.11	-3.31	-9.16	-12.44	-5.36	-0.22
Hong Kong	-5.40	-18.38	-24.01	-36.61	-39.96	-36.70
Japan	-0.67	-0.51	+4.28	+4.37	+10.29	+16.28
Malaysia	-6.17	-11.47	-13.54	-27.84	-28.09	-24.18
New Zealand	-2.78	-9.58	-5.19	-9.37	-2.51	+2.77
Singapore	-3.63	-11.06	-2.49	-13.91	-10.62	-5.77
Canada	-1.21	-2.55	-2.69	-3.22	-12.13	-7.36
USA	-1.35	-3.24	-3.23	-3.68	-8.63	-3.68
Mexico	-2.56	-2.04	-0.33	-6.20	-19.93	-15.59
South Africa	-0.86	-3.49	+26.21	+15.73	+13.56	+19.72
WORLD INDEX	-1.28	-2.64	-2.61	-4.66	-4.59	+0.59

† Based on December 9th 1994.

EUROPE

Political worries leave Milan at 12 month low

Most bourses were unsettled by weakness in bond markets, and the pattern was extended in the afternoon as US treasuries opened lower, *writes Our Markets Staff.*

MILAN had its own preoccupations. It fell 2.6 per cent to a 12 month low after comments by Mr Roberto Maroni, the interior minister and a member of the Northern League, were viewed as a premature political obituary for Mr Silvio Berlusconi's coalition government.

The Comit index, which lost 4.7 per cent last week, fell another 15.33 to 586.19 after Mr Maroni was quoted as saying that the government could be replaced by a different coalition after next month's review.

Against the trend, Credito Italiano gained L18 to L1,548, after a high of L1,595, amid renewed speculation that Cariplo was about to launch a counter bid for Credito Romagnolo. Italiano announced the full terms of its L2,780bn offer for Rolo over the weekend and analysts noted yesterday that if the deal fell through, it would be left with a significant amount of cash. Rolo was L204 lower at L17,329.

Telecommunications stocks were markedly weaker on fresh worries that mobile telephone concessions could be costly. Telecom Italia fell L200 or 5.3 per cent to L3,580 and Stet was L222 or 5.0 per cent lower at L4,215.

FRANKFURT waited for New York. On the session, the Dax index fell just 3.51 to 2,024.82; but after hours the bourse saw an opening drop in US long bonds, weakness in bund and equity features and an Ibis-indicated Dax below 2,000, at a low for the day of 1,998.20 before it closed a percentage point down at 2,003.64.

Turnover rose from DM3.8bn to DM4.1bn. Friday's weakness in carmakers continued during the session, and was extended after hours: BMW ended the afternoon down DM15.50 at DM723.50, Daimler DM22 lower at DM714 and Volkswagen DM9.40 off at DM400.60.

Apart from generalised institutional investment caution about cyclicals, and the sector in particular, there were specific fears about VW, which slid to new 1994 lows on a Spanish news report that its lossmaking Spanish subsidiary, Seat, will not achieve breakeven before 1997. Nomura estimates – that the company is trading on prospective p/e ratios of below 8 for 1995, and under 5 for 1996 – fell on stony ground.

However, the chemicals and metals group, Degussa, did well ahead of today's provisional results for the year to September 30. The shares rose DM3.50 to DM427.50 on analysts' estimates of a 50 per cent increase in 1993-94 earnings.

PARIS bond markets were unnerved in the morning by the decision by Mr Jacques Delors to drop out of the French presidential race, and weakened further by the fall in US bonds in the European afternoon.

The weakness of the bond market hit equities, as elsewhere in Europe, and was a major factor behind the 17.67 decline in the CAC 40 index to 1,919.32 in thin turnover of FFr2.74bn.

In the circumstances, the news that Assurances Générales de France (AGF) was to be privatised early next year hit shares of the latter, which fell FFr6.30 to FFr224.

Among other losers, Moulinex fell FFr5.70, or 5.4 per cent to FFr100.20 ahead of the appliance company's first half results tomorrow. However, Alcatel Alsthom rose FFr4.90 to FFr461.10 in advance of a board meeting next week.

ZURICH was lower in thin volume with early gains being given up as the dollar tended easier. The SMI index fell 13.2 to 2,562.8.

UBS bearers fell SFr26 to SFr1,084, with the bank said to be among the main sellers, as local press reports said that exceptionally heavy trading in the registered shares in October had raised fresh questions about how UBS won shareholder support for its unitary share plan. However, the bank rejected any suggestion that it acted incorrectly. The registered shares slipped SFr6 to SFr244 but were still trading at a 12.5 per cent premium to the bearers.

Among second tier stocks, Interdiscount picked up SFr50 to SFr1,490 after last week's fall. Ems Chemie dipped SFr90 to SKr3,770 and Sarna was SFr75 lower at SFr1,445.

OSLO saw profit-taking by short-term international investors after the gains of the previous fortnight and the all-share index closed 5.48 down at 685.39 in turnover of NKr380m, about half the level of recent sessions.

Analysts commented that domestic institutions were holding back some liquidity in the hope of lower prices and were expected to begin buying before the index reached 610.

After the close of trading, the bourse announced the dismissal of its director for unspecified irregularities which, it said, had nothing to do with securities trading. However, brokers feared that the dismissal might have a negative impact on international confidence.

WARSAW bounced after last week's steep decline, the Wig index recovering 439.3, or 6.2 per cent to 7,391.9 with turnover 20 per cent higher at 746.9bn zlotys. Brokers said that 6,900 had proved to be a strong support level.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Dec 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1321.39	1320.69	1320.28	1319.42	1318.98	1311.89	1310.67	1308.12
FT-SE Eurotrack 200	1368.73	1368.32	1368.13	1367.28	1362.00	1358.18	1357.95	1355.35

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5
FT-SE Eurotrack 100	1321.58	1333.80	1335.96	1336.78	1353.74
FT-SE Eurotrack 200	1367.17	1384.38	1382.94	1382.95	1399.40

Base 1000 (26/10/90); High/day: 100 - 1321.39; 200 - 1370.32 Low/day: 100 - 1308.67 200 - 1355.29 † Partial

ASIA PACIFIC

Rally in Nikkei cut short as Kuala Lumpur falls 1.7%

Tokyo

Japanese equities, ultimately, seemed depressed by events around the Pacific Rim, the Nikkei index finishing little changed in thin trading, *writes Robert Patton in Tokyo.*

Volume fell to an estimated 192m shares from the 492.94m traded on Friday. The benchmark 225 average crept down 8.20 points to finish at 18,975.10. It remained in a narrow range all day, moving between a high of 19,071.61 and a low of 18,959.09.

The Topix index of all first section stocks declined 2.30 to 1,503.78, while the capital-weighted Nikkei 300 ticked down 0.32 to 277.29.

Declining stocks outpaced gainers by 569 to 366 with 235 unchanged and, in London, the ISE/Nikkei 50 index fell 0.56 to close at 1247.69.

Following its 201.74 drop on Friday the market made strong early gains, largely on bargain hunting and fund manager buying for corporate employee stock ownership plans. In the first 15 minutes of trading, the Nikkei took more than 60 points of Friday's losses, but the absence of market moving news undercut the rally and stocks quickly retreated from their early highs.

Some brokers felt that recent losses in Hong Kong and the collapse of Orange County due to speculation in derivatives continued to weigh heavily on the market.

Large capital stocks, including Japan Tobacco and some steelmakers, fell on selling by foreign brokerage houses. Japan Tobacco made a new low since privatisation of Y920,000, down Y20,000. East Japan Railway, which had just suffered a crippling electrical failure which stranded thousands of weekend passengers, finished unchanged at Y469,000. Nippon Steel shed Y9 to Y349.

Pharmaceuticals weakened. Takeda lost Y10 to Y1,190 and Taisho Y30 to Y1,790. But most game equipment makers advanced. Matsushita Electric Industrial, which announced that the next generation of its 64-bit 3DO/Real machine would be driven by the IBM/Apple/Motorola PowerPC chip, edged up Y10 to Y1,580. Sony, which launched its 32-bit PlayStation last month, surged Y100 to Y5,380; and Sega Enterprises, with its just announced, 32-bit Saturn enjoying brisk sales, gained Y80 to Y5,740 as Nintendo fell Y100 to Y5,600.

Electric utilities weakened, then recovered to a degree. Tokyo Electric Power revisited its 1994 low of Y2,750 before closing at Y2,760, off Y10. Hokkaido Electric Power bounced back from a low of Y2,280 to finish unchanged at Y2,300.

In Osaka, the OSE average shed 97.73 to finish at 20,887.19 with 133.6m shares changing hands.

Roundup

Concern about the effects of US price data due later in the week continued to put the brake on some of the regional markets. Bangkok was closed for a public holiday.

KUALA LUMPUR encountered further redemption-linked liquidation by foreign institutions which, together with forced selling by clients unable to meet margin calls, sent the the composite index down another 15.49 or 1.7 per cent to a new closing low for the year of 895.77.

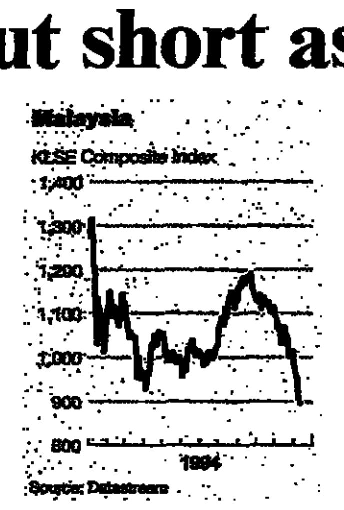
Tenaga Nasional's attempt at recovery was short-lived with the issue ending down 10 cents at M$9.55 after hitting an early high of M$9.80.

Telekom Malaysia fared slightly better, closing up 10 cents at M$16 after reaching a high of M$16.30.

SINGAPORE failed to sustain a mild rebound as investors continued to liquidate stocks. Sentiment was also depressed by the wave of selling in Malaysian stocks.

The Straits Times Industrials index fell 10.59 to 2,091.69, after an intra-day high of 2,108.07. Singapore Press Holding foreign shares fell S$1 or 3.9 per cent to S$24.50 on a rumour that the company would see lower investment income in the current financial year due to the stock market's fall.

HONG KONG extended last week's 5.3 per cent decline, losing another 1 per cent to finish at its lowest level since September 1993 on the view that Wall Street faced further falls. The Hang Seng index closed 81.29 down at 7,707.78 after sinking to an intraday low of 7,670.83. Turnover was a provisional HK$2.44bn.



HSBC lost HK$1.25 to HK$80.25, Swire Pacific A dropped HK$2.50 or 5.5 per cent to HK$42.60 and Henderson Land fell HK$1.20 to HK$35.

The H-share index of Chinese stocks listed in Hong Kong fell 24.99 or 2.5 per cent to 977.62.

BOMBAY fell 2.1 per cent after the rout of the Congress party in regional elections, with brokers fearing a setback to the economic reform programme launched by the prime minister, Mr P.V. Narasimha Rao.

The BSE-30 share index, which opened 1.2 per cent lower, lost 83.39 to 3,884.48 with several foreign mutual funds said to be booking profits.

TAIPEI was mixed as positive corporate fundamentals were offset by investor nervousness over sales by funds to meet year-end redemptions and dividends. The weighted index closed down 0.11 at 6,722.40, off an intra-day high of 6,763.50 in moderate turnover of T$60bn.

SEOUL rebounded after four days of declines, although profit-taking among the blue chips emerged as soon as prices edged higher. The composite stock index added 9.50 to 1,042.77.

Construction shares were in demand on active bargain-hunting combined with a belief in a construction boom next year. Banking shares also gained momentum on rotational buying. The Bank of Seoul went limit up, gaining Won400 to Won7,880.

MANILA was lifted by late demand for oversold heavyweight issues, and the composite index rose 12.17 to 2,619.83.

Petron led gainers as it advanced 1.3 per cent to 20 pesos.

SYDNEY was weaker in thin volume, the All Ordinaries index losing 8.9 to 1,842.0, as selling in the resources sector pared erased an early advance.

WELLINGTON was on hold ahead of today's monetary policy statement from the Reserve Bank of New Zealand and the interest rate changes at both the wholesale and retail level that result from it.

The NZSE-40 Capital index closed down 11.86 at 1,878.09 in very light volume.

COLOMBO's market index fell 34.71, breaking through its 1,000-point support level to 988.54, as the US and domestic interest rate outlook, compounded by labour unrest in the country, prompted widespread sales.

JAKARTA closed 1.4 per cent lower in quiet trading with attention focused on Indosat as it came under heavy pressure before finding support at around Rp7,200.

The JKSE market index fell 6.33 to 447.76 as Indosat closed Rp375 or 4.9 per cent lower at Rp7,225.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 9 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY DECEMBER 8 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	166.50	-0.7	158.26	105.42	136.54	143.17	-1.2	4.02	167.69	158.96	106.49	137.55	144.86	189.16	157.28	159.51
Austria (16)	175.54	-1.6	166.84	111.14	143.94	144.23	-1.1	1.13	178.45	169.17	113.33	146.37	145.84	198.89	167.46	182.96
Belgium (35)	165.33	-0.9	157.14	104.68	135.57	132.22	-0.9	4.18	166.82	158.14	105.94	136.83	133.41	177.04	159.64	160.40
Brazil (28)	174.63	-0.5	165.98	110.57	143.20	271.81	-0.9	0.78	175.57	166.44	111.50	144.01	274.06	-	-	-
Canada (103)	125.79	-0.5	119.56	79.64	103.15	126.00	-0.3	2.73	126.36	119.79	80.25	103.65	126.43	145.31	120.54	135.02
Denmark (33)	239.66	-0.4	227.79	151.74	196.53	201.20	-0.5	1.48	240.56	228.04	152.77	197.31	202.12	275.79	234.08	241.17
Finland (24)	177.40	-1.6	168.62	112.32	145.47	181.56	-1.6	0.77	180.31	170.93	114.51	147.90	184.44	201.41	116.86	124.43
France (102)	165.41	-0.6	157.22	104.73	135.64	140.40	-0.7	3.05	166.40	157.74	105.67	136.49	141.43	185.37	159.34	172.02
Germany (58)	135.86	-0.7	129.14	86.02	111.41	111.41	-0.7	1.86	136.83	129.72	86.90	112.24	112.24	150.40	128.37	138.36
Hong Kong (56)	309.71	-3.8	294.38	196.10	253.97	307.72	-3.6	4.02	321.98	305.22	204.47	264.10	319.80	506.66	309.71	408.38
Ireland (14)	195.45	-0.9	185.78	123.75	160.28	179.70	-0.9	3.55	197.22	186.96	125.25	161.77	181.41	216.80	177.05	177.06
Italy (59)	69.91	-2.5	66.45	44.26	57.33	65.10	-2.5	1.85	71.67	67.94	45.52	58.79	67.29	97.78	65.87	66.99
Japan (468)	151.31	-0.8	143.82	95.81	124.08	96.81	-1.1	0.80	152.47	144.53	96.82	125.06	96.82	170.10	127.18	133.78
Malaysia (97)	448.48	-1.2	426.26	283.96	367.77	442.90	-1.2	1.99	453.99	430.37	288.31	372.38	448.39	621.63	430.71	521.22
Mexico (18)	2015.58	-1.4	1915.77	1276.17	1652.80	7606.18	-1.3	1.34	2043.18	1936.86	1297.52	1675.87	7706.69	2647.08	1696.28	2248.30
Netherland (19)	207.60	-0.6	197.32	131.44	170.24	167.42	-0.6	3.45	208.84	197.98	132.63	171.30	168.36	223.30	191.28	195.17
New Zealand (14)	69.79	-1.1	66.34	44.19	57.23	58.42	-1.3	5.01	70.57	66.90	44.82	57.89	59.20	77.59	62.05	64.46
Norway (23)	201.42	-0.8	191.44	127.53	165.16	187.72	-0.8	1.78	203.00	192.44	128.92	166.51	189.31	211.74	169.11	172.15
Singapore (44)	346.33	-2.5	329.18	219.28	284.00	234.61	-2.4	1.82	355.18	336.71	225.56	291.34	240.40	401.38	294.66	326.73
South Africa (59)	319.82	-0.9	303.99	202.50	262.26	289.89	-1.2	2.26	322.87	306.07	205.04	264.83	293.57	342.00	205.55	238.57
Spain (38)	139.40	-0.6	132.49	88.26	114.31	139.47	-0.7	4.09	140.27	132.97	89.08	115.05	140.50	155.79	132.61	137.92
Sweden (36)	227.55	-0.8	216.28	144.08	186.60	252.99	-1.0	1.58	229.50	217.56	145.75	188.25	255.63	242.81	185.22	189.51
Switzerland (47)	158.59	-0.5	150.74	100.41	130.05	131.41	-0.4	1.85	159.32	151.03	101.17	130.67	131.96	176.58	149.91	158.44
Thailand (46)	147.22	-3.3	139.93	93.21	120.73	143.45	-3.3	2.56	152.28	144.36	96.71	124.91	148.35	-	-	-
United Kingdom (204)	188.68	-1.4	179.33	119.46	154.72	179.33	-1.2	4.31	191.44	181.48	121.58	157.03	181.48	214.96	181.11	197.90
USA (514)	182.92	0.3	173.87	115.82	150.00	182.92	0.3	3.01	182.33	172.84	115.79	149.55	182.33	186.04	178.95	189.03
Americas (663)	171.06	0.2	162.61	108.32	140.29	142.30	0.2	2.93	170.66	161.78	108.38	139.98	141.95	-	-	-
Europe (708)	164.09	-1.0	155.96	103.89	134.55	147.83	-1.0	3.17	165.82	157.19	105.30	136.01	149.26	178.58	160.59	165.30
Nordic (116)	217.60	-0.9	206.83	137.78	178.44	207.13	-1.0	1.43	219.54	208.11	139.42	180.07	209.16	233.91	180.06	184.73
Pacific Basin (793)	158.07	-1.0	150.24	100.08	129.62	104.23	-1.2	1.20	159.62	151.32	101.37	130.93	105.64	176.86	141.04	145.08
Euro-Pacific (1501)	160.49	-1.0	152.55	101.62	131.61	121.44	-1.1	2.05	162.12	153.68	102.95	132.97	122.82	175.14	152.54	153.34
North America (617)	179.38	0.3	170.50	113.57	147.09	179.01	0.3	2.99	178.86	169.55	113.58	146.70	178.48	192.73	175.67	185.67
Europe Ex. UK (504)	147.33	-0.8	139.94	93.22	120.73	128.79	-0.8	2.51	148.43	140.71	94.26	121.75	129.89	158.12	142.17	144.86
Pacific Ex. Japan (325)	226.56	-2.1	215.34	143.45	185.78	198.85	-2.3	3.36	231.54	219.49	147.04	189.92	203.46	296.21	226.56	252.98
World Ex. US (1709)	162.38	-1.0	154.34	102.81	133.15	125.06	-1.1	2.05	164.00	155.47	104.15	134.52	126.46	176.65	154.31	155.12
World Ex. UK (2019)	166.20	-0.4	157.97	105.23	136.29	139.22	-0.6	2.18	166.92	158.24	106.01	136.91	139.96	178.59	161.50	162.35
World Ex. Japan (1755)	179.04	-0.4	170.18	113.36	146.82	170.55	-0.4	3.04	179.83	170.47	114.20	147.50	171.28	186.20	175.34	183.70
The World Index (2223)	168.19	-0.5	159.86	106.49	137.92	142.86	-0.6	2.39	169.09	160.29	107.38	138.69	143.74	180.80	164.59	165.45

Latest prices were unavailable for this edition.

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